

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing an Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109

**NOTICE OF PROPOSED RULEMAKING AND FURTHER NOTICE OF PROPOSED  
RULEMAKING**

**COMMENTS OF  
ALEXICON TELECOMMUNICATIONS CONSULTING**

Alexicon Telecommunications Consulting (“Alexicon”) hereby submits its Comments to the Federal Communications Commission (“FCC” or “Commission”) in response to the Commission’s Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking

(“NPRM,” “Notice” or “Proposal”).<sup>1</sup> In this Notice of Proposed Rulemaking, the Commission seeks comment on the issues raised in the NPRM.

## **GENERAL**

Alexicon provides professional management, financial and regulatory services to a variety of small rate-of-return Incumbent Local Exchange Carriers (“ILECs”)<sup>2</sup> who serve diverse geographical areas characterized by rural, insular or Native American Tribal Lands. These ILECs, similar to most other small rate-of-return regulated ILECs, currently provide a wide range of technologically advanced services to their customers. These companies, through participation in various State and Federal high cost funding programs, and with their continued investment in network infrastructure, are providing customers in rural, insular and Tribal areas with services equal to or greater than urban areas, and at comparable pricing. Furthermore, these ILECs are committed to providing their customers with innovative solutions, by adapting technologies that fit rural America, including Broadband and IP-enabled services. The stated and implied purposes of, and the issues raised in the NPRM, are of particular import to our clients who are all highly dependent upon Universal Service Funding to recover the higher cost of providing services to their customers, compared to larger, more urban service providers.

Alexicon’s clients range in geographic size from single wire-center companies to larger providers with multiple wire-centers. All of Alexicon’s clients are dependent upon the flow of funds from the Federal Universal Service Fund (“USF”) to assist in serving their rural customers at reasonable rates for local exchange and access services. Most of Alexicon’s client companies are also contributors to the USF fund.<sup>3</sup> Furthermore, all provide their consumers with an assortment of modern communications services, including (but not limited to) voice, broadband, and Internet access availability. These companies generate a large part of their revenues from intercarrier charges, mostly in connection with switched access and special access charges paid by interconnecting interexchange carriers and wireless providers. These charges are classified as either interstate (usually

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<sup>1</sup> Adopted: February 8, 2011 Released: February 9, 2011

<sup>2</sup> As defined by the Telecommunications Act of 1996 (“Act”).

<sup>3</sup> Consistent with Section 254 (d), 47 U.S.C. 151, with the exception of any ILEC whose contribution(s) qualifies for the de minimus exemption.

rates charged based upon individual tariffs or as filed by the National Exchange Carrier Association [“NECA”]), or intrastate (rates based upon various state-specific tariff(s)) in nature.

It is through the use of the USF funds that these ILECs, and many similarly situated ILECs, have been able to provide their customers (in rural and often insular locales) with modern telecommunications services comparable to urban areas at rates lower than they otherwise would be charged without the availability of these USF funds. The ability of small ILECs to partake of high-cost USF funding is not only pursuant to the 1996 Telecommunications Act (the “Act”) but has also acted as a major incentive toward the financial community (local, state, federal, etc.). USF funding has provided these ILECs with the continued stability to attract sufficient financial resources to maintain and improve customer services as well as their connectivity to the Public Switched Telephone Network (“PSTN”).

Alexicon notes that small ILECs receiving existing high-cost USF funds attest that these USF funds are fulfilling the 1996 Act objectives of providing “specific, predictable and sufficient federal and state mechanisms to preserve and advance universal service.”<sup>4</sup> We also believe it is critical for the viability of these companies, and for maintaining comparable rural telecommunications services, to continue receiving USF fund flows in complying with this mandate. In addition, Alexicon notes that all ILECs receiving high-cost USF funding are subject to compliance with FCC Rules, in-depth review of conformity with those rules, and related review of fund distribution amounts by the National Exchange Carrier Association (“NECA”), Universal Service Administration Company (“USAC”), and other various state and federal regulatory (and auditing) authorities. This ensures that the high-cost funds are correctly being requested by and distributed to ILECs. Lastly, the fact that fund recipients are also required to annually certify that they are utilizing the high-cost USF funds “for the provision, maintenance, and upgrading of facilities and services for which the support is intended”<sup>5</sup> further

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<sup>4</sup> The Act, Section 254 (b)(5)

<sup>5</sup> Id. Section 254(e)

ensures regulators, fund contributors, and others that consumers are getting the maximum benefit(s) of the high-cost USF monies received by these carriers.

## **CONTENTS**

- I. INTRODUCTION**
- II. RECOMMENDATIONS**
- III. THE PROPOSED REGULATORY SYSTEM AND THE GENERAL DISCUSSION DO NOT MEET EITHER STATED OR STATUTORY FCC GOALS**
- IV. THE PROPOSED RULE MUST FIRST BE REFERRED TO THE JOINT BOARD**
- V. IF THE PROPOSALS ARE IMPLEMENTED AS IS, BILLIONS OF TAX DOLLARS LOANED TO RURAL CARRIERS BY RUS AND PRIVATE FUNDING INSTITUTIONS WILL BE LOST THROUGH DEFAULTED LOANS**
- VI. ONE RESULT OF THE PROPOSED RULE, IF PASSED AS WRITTEN, WOULD BE UNCONSTITUTIONAL REGULATORY TAKINGS WITHOUT JUST COMPENSATION**
- VII. THERE ARE OTHER CRUCIAL PROCEDURAL AND LEGAL ISSUES THAT MUST BE RESOLVED PRIOR TO ADOPTION OF ANY PROPOSED RULE**
- VIII. THE ASSUMPTIONS UPON WHICH THE NPRM IS BASED ARE TOO SPECULATIVE OR SIMPLY MISTAKEN**
- IX. THE NPRM FAILS TO ADDRESS ESSENTIAL ISSUES, SOMETIMES IN DIRECT VIOLATION OF LAW**
- X. THE NPRM, WITHOUT ANY EMPIRICAL BASIS, PROPOSES MASSIVE AND SIGNIFICANT CHANGES TO A RATE-OF-RETURN-BASED TELE-COMMUNICATIONS USE SYSTEM THAT HAS WORKED AND IS WORKING TO FULFILL THE PURPOSES FOR WHICH THE SYSTEM WAS CREATED**
- XI. RATE-OF-RETURN WORKS**
- XII. TRIBAL CONSIDERATIONS**
- XIII. SUMMARY OF EXHIBITS**
- CONCLUSION**
- EXHIBITS**

## I. INTRODUCTION

All of Alexicon's clients meet the definition of being a "small business within the commercial census category of Wired Telecommunications Carriers."<sup>6</sup> Because our clients are small and rural in nature, they would without exception be adversely impacted by proposals contained in the NPRM. In this regard, Alexicon believes the reform proposals set forth in the NPRM are premature without: (1) resolving the fatal flaws in the NPRM as noted in our comments below; and (2) without fully investigating alternatives that will otherwise provide workable solutions for rate-of-return carriers across the nation. Further discussion and alternatives are presented in our comments below.

Alexicon also has concerns with certain legal issues, discussed further below. We believe the existence of these legal questions constitutes a compelling reason to withdraw the NPRM and include but are not limited to: a) Section 410(c) of the Act, which requires the Commission to refer to the Joint Board any changes to the separations rules being considered through a rulemaking proceeding; and b) a Constitutional takings matter. Alexicon believes the following are both inherently and explicitly present in the NPRM and therefore we challenge the legality of these points:

- The result of the proposed rules, if passed as written, would establish an unconstitutional regulatory taking without just compensation<sup>7</sup>;
- The NPRM fails to provide for reasonably comparable services to rural and isolated areas, as mandated by Section 254(b)(3) of the Act;
- Appropriations law does not govern the USF.

In addition, Alexicon has serious concerns with the effective impacts if the NPRM were to be implemented, as follows:

- The proposed regulatory scheme and the general discussion do not meet either stated or statutory FCC goals;

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<sup>6</sup> 13 CFR Section 121.201, North American Industry Classification System ("NAICS") code 517110

<sup>7</sup> U.S. Constitution, Fifth Amendment

- If these regulations go into effect, billions of tax dollars loaned by RUS and the Department of Commerce to rural carriers using RUS and/or ARRA<sup>8</sup> funds will be lost through defaulted loans;
- The assumptions upon which the NPRM is based are too speculative or simply mistaken;
- The NPRM fails to address essential issues, sometimes in direct violation of law;
- The NPRM, without any empirical basis, proposes massive and significant changes to a rate-of-return based, regulated telecommunications system that has worked and is working to fulfill the purposes for which the system was created;
- Price cap and reverse auction will not work in the most high cost and insular areas of the country, and will most certainly cause harm to rural America;
- There are Tribal considerations that specifically need addressed.

For all of the reasons discussed herein, Alexicon believes the proposed rules should be withdrawn pending resolution of not only the legal and practical consequences listed above but also via development of workable solutions that will sustain viability for rate-of-return carriers serving the highest cost areas of the country.

## **II. RECOMMENDATIONS**

At the Commission's request numerous times throughout the NPRM, Alexicon is happy to provide feedback on a number of critical issues that we believe will prepare for the future of ubiquitous broadband deployment. Alexicon believes both the NBP and current NPRM are explicit about the following:

- Creating incentive-based USF for small rate-of-return carriers;
- Providing efficiency within the USF system;
- Having a "forward-looking" vision for broadband deployment;
- Modernizing USF rules to advance IP technology; and
- Replacing "legacy" circuit-switched based USF with broadband-based USF

Given the points above, Alexicon respectfully provides the following recommendations to assist the Commission in accommodating their goals:

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<sup>8</sup> American Recovery and Reinvestment Act of 2009

- A. In working with Alexicon, NECA, national industry organizations, and other consultants, the Commission should implement a broadband-based USF algorithm similar to the current algorithm except modified to be “broadband-centric”;
- B. The Commission should extend the corporate operations expense “cap” on Interstate Common Line Support; Local Switching Support; and Safety Net Additive in a fashion similar to the current High Cost Loop Support fund;
- C. Consistent with its “no barriers” policy, the Commission should immediately institute cost recovery benefits for middle mile transport facility to provide access to advanced services and make broadband more affordable in rural America;<sup>9</sup>
- D. The Commission should “ratchet down” Local Switching Support to the truly needy
- E. The Commission should move Switched Access revenue requirement to ICLS

### Broadband-based USF

As the motivation behind the NBP is to have ubiquitous broadband deployment in the U.S., modifying the current high cost loop USF algorithm to incorporate broadband is necessary. In Alexicon’s opinion, the existing high cost loop algorithm is sufficient and will work well in calculating settlements that will be paid out by the CAF for broadband deployment. Alexicon thus believes, *in addressing the FCC’s long term vision*, that modifying the existing algorithm to forego certain “legacy” equipment and replacing this with broadband-capable equipment provides incentive for rate-of-return ILECs to deploy more broadband-capable plant, especially in light of the proposals contained in the current NPRM.

In the NPRM, the FCC is proposing to re-base the current USF algorithm thresholds from “65%/75%” to “55%/65%”.<sup>10</sup> Of course this will have dire consequences, as proven in Alexicon’s exhibits to these comments. We therefore do not concur with the Commission that this is the approach to take. More specifically, as the Commission has claimed jurisdiction of broadband, we disagree that anything less than 100% of a broadband-driven algorithm should be funded out of the federal jurisdiction, instead of “between 80% and 90%” as they recommend.<sup>11</sup> One thing to glean from this, however, is: with the NPRM, the FCC must still contend the current algorithm has merit in providing universal service funding. Alexicon concurs with the Commission in this perception and also believes the current algorithm should be retained as having value. Having said this, and in the interest of discussion, the expense adjustment

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<sup>9</sup> RTF Order, Executive Summary, Para 199

<sup>10</sup> NPRM, Para 180

<sup>11</sup> Ibid

algorithm we are proposing maintains the current “65%/75%” recovery thresholds for study areas reporting fewer than 200,000 loops.

*The Idea:*

The current USF algorithm is almost entirely driven by subscriber-related Part 36 Separations categories: Cable & Wire Facility (CWF) Category 1 and Central Office Equipment (COE) Category 4.13. These categories generally encompass subscriber line equipment; analog equipment; line concentration equipment; voice transmission equipment; circuit-switched equipment; and loop facility. Alexicon’s idea stems around the inclusion of broadband-capable equipment in a broadband-based USF algorithm. For example, instead of having COE Category 4.13 be the sole driver for USF settlements under the existing algorithm, Alexicon believes having a combination of COE Category 4.13 *and* broadband-capable equipment (COE Category 4.11 – Wideband Exchange Line Circuit Equipment; COE Category 4.22 – Interexchange Circuit Equipment Used for Wideband Service; and other wideband-specific categories) be the drivers of a broadband-based USF. As companies are currently mandated by the FCC to keep CPRs, having this detail for broadband versus subscriber equipment doesn’t require additional recordkeeping since the detail is already compiled. In addition, as CWF loop plant can take many forms (copper; fiber; certain types of wireless) and has the capability of carrying most broadband services (especially broadband speeds proposed in both the NBP and NPRM), the “analog/voice-capable only” loops should be left out of the broadband-based USF algorithm for this component. Alexicon notes that in most rate-of-return company networks, the majority of loop plant is broadband-capable. Alexicon thus believes that, generally speaking, CWF Category 1 will continue to be a major driver of a broadband-based USF as very few loops will be something other than broadband-capable. In addition, CWF Category 2 – Wideband & Exchange Trunk currently allows costs to be apportioned to this category to reflect these services/functions. Alexicon further believes that CFR Part 36 Separations procedures will not be required to be modified since Part 36 currently provisions plant categories to accommodate wideband.<sup>12</sup> Moreover, a broadband-based USF algorithm incentivizes carriers by providing certain levels of cost recovery. In the long run, in keeping with the Commission’s stated objectives of phasing out circuit-switched networks while phasing in IP networks, and as stated in the NPRM and reiterated above, this idea meets the Commission’s long term goals of nationwide broadband deployment.

One of the issues that will undoubtedly be brought up with this idea is dealing with equipment that is both voice & broadband-capable. This creates the issue of identifying a “true” Part 36 category for joint use equipment. However, given the fact that companies will continue to base their COE categories from CPR

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<sup>12</sup> See NECA Cost Reporting Guideline Paper entitled “Separations Treatment of ADSL and SDSL Services”, released December 17, 2009

detail or other representative studies and companies will be able to determine which loop facilities are not broadband-capable, the separation of “broadband” versus “non-broadband” is more easily identifiable. Furthermore, CFR 36.121( c); 36.126(d)(2); and 36.126(e)(2) offers guidelines to allocations of joint use equipment. In addition using a default such as the “50/50” rule contained in one of NECA’s guideline papers<sup>13</sup> or using other metrics (utilization; function; primary purpose; ratio of POTS/DSL combo cards; etc) provides reasonable assurances for the inclusion of broadband in the most appropriate COE/CWF category and provides additional predictability for the fund.

Another item that needs addressed is the issue of “double recovery”. NECA currently maintains a comprehensive tariff for its member companies.<sup>14</sup> This tariff includes access rate development and pricing for both switched and special access service. As broadband and special access services are currently part of NECA’s tariff, this begs the question as to how Alexicon’s idea avoids double recovery of funding (i.e. once via NECA tariffed rates and again through the broadband USF model). Using NECA’s national database, Alexicon’s model first calculates existing HCLS for every cost company in the United States. Results are verified and confirmed via both NACPL development as well as company-specific cost per loop data. Alexicon then incorporated new broadband categories, as noted above, into the existing HCLS USF algorithm using NECA’s own tariff review plan (TRP) cost categorization data filed with the FCC. Ultimately, Alexicon was able to isolate the difference in pre-broadband NACPL loop cost and post-broadband NACPL loop cost data. This allowed us to not only identify but determine the amount of NACPL data (post-broadband) attributable to special access services priced in NECA’s tariff using the same cost categorizations that are included in our broadband USF algorithm. By determining this “bogey”, it allows us to make a Part 69 “MAG<sup>15</sup> shift” adjustment out of the special access rate element under NECA pooling, thereby alleviating the double recovery issue.

By replacing or substituting true “legacy” equipment with broadband-capable equipment over time, the following occurs:

- This creates incentive for small carriers to invest in broadband-capable plant and shows the FCC good faith from rate-of-return carriers as a whole;
- This provides for a state-of-the-art broadband network, creating technological efficiencies and metamorphosis in the entire PSTN (or PBN....public broadband network);
- This meets the FCC’s “forward looking” vision of having a national broadband network in the future;
- This leads to natural attrition of “legacy” equipment, only to be replaced and substituted with broadband-capable plant over time, again meeting the FCC’s intended goal

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<sup>13</sup> NECA Cost Guidelines Paper, published 11/05/2007

<sup>14</sup> NECA Tariff #5

<sup>15</sup> Multi Association Group reclassification of certain revenue requirements to other Part 69 rate elements

Alexicon notes this idea should be phased in and reiterates we would suggest this be implemented as part of the FCC's long term objectives.

Alexicon also respectfully reminds the Commission that currently broadband is not a USF-supported service. We believe, however, that broadband could [and should] be a supported USF service. Today's USF cannot be ignored or unsupported simply because the Commission's goal is to have ubiquitous broadband deployment. We agree with the Commission's goal of nationwide broadband deployment and thus suggest not only phasing in the transition to broadband inclusion but also the necessity to retain certain COE Category 4.13 equipment in the interim.

### *Broadband USF Exhibits*

Exhibits "A", "B", and "C" attached to these comments articulates Alexicon's idea by modifying the current USF data collection to include broadband plant and categorization components in the broadband USF: Exhibit A includes proposed formulas used to calculate the broadband USF; Exhibit B amends the current data collection summary to incorporate broadband plant and Part 36 categories; and Exhibit C summarizes a sample variety of rural ILECs using the national 2010-1 USF database, modified to integrate broadband using NECA TRP data filed with the Commission.

Alexicon is not proposing to deviate materially from the existing model. As the Commission agrees that the current model has historically provided successes<sup>16</sup> and worked well to provide affordable voice services in all regions of the nation,<sup>17</sup> Alexicon believes there are true efficiencies to incorporating broadband into the model so as not to "reinvent the wheel" while still accomplishing a forward-looking process and meeting the goals of this Commission. Alexicon also notes that, likely similar to the Commission's own intent, inquiries, and proposals in the NPRM, our idea and model is simply a "starting point" and critical first step in reforming long term USF. Alexicon looks forward to working with the Commission to assist in achieving their objectives.

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<sup>16</sup> NPRM Para 13

<sup>17</sup> FCC 010-58, NOI and NPRM Released April 21, 2010, at Para 3

### Corporate Operations Expense

The Commission makes the following statement in the NPRM: “We propose to reduce or eliminate universal service support for corporate overhead expenses.”<sup>18</sup> Alexicon finds this statement both troubling and inconsistent with any model that exists in the business community today. In a meeting with the Wireline Competition Bureau on March 25<sup>th</sup>, 2011 Alexicon circulated a “talking points” summary with the following language on this issue:

Corporate expenses are reasonable and necessary to the deployment and operation of broadband networks and should not be eliminated from the support algorithms. Are broadband networks going to be un-supervised, unaccounted for, un-entered into information systems, compliance documents filed without legal representation or need for administrative assistance? Of course not. These expenses are reasonable and necessary as shown to be so by the FCC’s own proposals for suggested further accounting and compliance standards.<sup>19</sup> There is already a mechanism in place to limit the amount of allowable corporate expenses in the high cost loop algorithm. The current corporate expense cap is calculated as an amount per loop which is adjusted annually by the Gross Domestic Product-Chained Price Index. The recovery amount per access line decreases through three tiers of access lines served. This type of graduated approach to cost recovery recognizes that there is a minimum amount of necessary corporate expenses for all companies while also recognizing cost savings due to economies of scale.

Alexicon recommends the Commission could further extend the corporate cap to ICLS, SNA and LSS in the same manner it applies to high cost loop funding in order to meet the goals of fiscal responsibility and accountability, while providing for the necessary and reasonable cost of deploying and operating broadband networks.

Alexicon contends the above synopsis provides for a much more reasonable, sound, and rational approach to recognizing that corporate expenses are a necessary and vital part of operating rural ILECs. One unforeseen result of the model used today to calculate allowable corporate expenses for USF funding is the fact that while access lines are decreasing nationwide,<sup>20</sup> inflation continues to increase annually. It should be stated that this inverse relationship has actually taken pressure off of the USF in the past several years by virtue of the fact that the current

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<sup>18</sup> NPRM Para 194

<sup>19</sup> NPRM Para's 122; 135; 204; 327; 362; 368; 369; 477 among others

<sup>20</sup> NPRM Para's 8, 179

mechanism is access line driven. Having said this, as it is the Commission's intent in the NBP and current NPRM to spur growth in broadband deployment, Alexicon would like to make the following recommendation:

1. The cap should be readjusted for current dollars
2. The cap should then be benchmarked using a combination of GDP-CPI and broadband connections
3. The cap should next be addressed in the same capacity as #2 above, except grown using a combination of GDP-CPI and *added* broadband connections. This measured approach incentivizes carriers to promote broadband deployment
4. The cap should be applied to ICLS, SNA, LSS, in the same manner as it is applied to HCLS

### Middle Mile Should Have Support

According to the NPRM, a number of parties have suggested that middle mile costs are a significant component of the costs of serving customers in rural areas.<sup>21</sup> Most small rural telephone companies simply do not have the purchasing power to acquire transport (i.e. middle mile) at reasonable costs. Rural carriers often face the challenge of accessibility to networks capable of Ethernet interconnection, the most efficient and cost effective of way of purchasing bandwidth, to support IP voice and Internet services. Once carriers have access to cost-recoverable middle mile transport via efficient interconnection points, they are able to acquire more affordable bandwidth by pooling with other carriers, through trade associations or other affiliations.<sup>22</sup> Efficiencies naturally occur when there aren't unnecessary regulatory burdens that prevent recovery of middle mile costs. Regulations should incent or even require regulated companies to provide access to networks through a regulated, cost recoverable process. Regional networks developed for this very purpose may not always be practical or possible and should be considered as one of several options. Access to regulated networks at tariff pricing would appear to be the easiest, most efficient, most public-interest-oriented, and most expeditious solution.

The 2009 report of then Acting Chairman Copps "Bringing Broadband to Rural America: Report on a Rural Broadband Strategy" includes a discussion of the issues involved with the "middle

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<sup>21</sup> NPRM ¶395

<sup>22</sup> i.e. Missouri Network Alliance; Kansas Fiber Network

mile" that connects the last mile broadband provider to a node on the Internet backbone. This cost to obtain Internet bandwidth access is one of the largest barriers to reasonable and affordable consumer broadband rates in rural areas. For example, middle mile costs paid by rural telephone clients of Alexicon range from \$18 per megabyte per month to ten times that amount. Alexicon thus proposes middle mile costs should be recovered through a future USF. We suggest the Commission accumulate cost data for bandwidth access, develop an average or threshold cost, and fund costs in excess of the threshold in a manner similar to the Broadband High Cost Loop Fund.

### Local Switching Support (LSS)

In the NPRM the Commission makes the following statement: "LSS was originally created to help small telephone companies that lack economies of scale to afford large switches, but since then the industry has moved to software-based routers and switches which can be more easily scaled to a company's size and even shared among companies."<sup>23</sup> In recognition of this statement, Alexicon contends phasing out LSS entirely is counter-intuitive to the Commission's initial intent for this funding mechanism, which was "to help small telephone companies that lack economies of scale." As discussed further below in these comments, Alexicon notes there are 910 companies that currently have less than 5,000 access lines and 186 companies that are sized between 5,000 and 10,000 access lines.<sup>24</sup> Moving forward with the original intent of the Commission, Alexicon believes a possible alternative in addressing LSS may be to ratchet down the Dial Equipment Minutes (DEM) weighting threshold from the current levels.<sup>25</sup> Since even current switches, routers, and digital line carrier systems are only scalable to a minimum level, this recommendation would tend to relieve pressure from the USF system while acknowledging that larger rate-of-return and non-rural companies,<sup>26</sup> which are the companies with the greatest economies of scale and the ones most likely to be able to absorb lower LSS levels, are disadvantaged from reducing the DEM weighting thresholds. This also assists the Commission

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<sup>23</sup> NPRM, Para 21

<sup>24</sup> USAC website, Local Switching Support Projected by State by Study Area, Second Quarter 2011

<sup>25</sup> CFR Part 36.125

<sup>26</sup> See footnote 23 above. Alexicon notes that for companies above 15,000 access lines, UTC of the West; Waitsfield/Fayston; Citizens; Great Plains Communications; Frontier Communications; Hargray Tel. Co.; United of Eastern Kansas; Verizon; Pioneer Tel. Co-op of Oklahoma; and Gulf Tel. Co. in Alabama currently draw more than \$1M annually in LSS

in recognizing that the “smallest of the small” rate-of-return ILECs are still heavily dependent on LSS due to their limited customer base. Alexicon thus suggests that modifying threshold levels to be: <5,000 = weighted DEM of 3; between 5,000 and 10,000 = weighted DEM of 2.5; and between 10,000 and 15,000 = weighted DEM of 2 should be the primary focus of LSS funding, with access lines above 15,000 receiving minimal or residually-based funding from LSS. This recommendation is reasonable and would assist the Commission in balancing the true need for LSS with the recognition that larger rate-of-return ILECs have economies of scale to absorb any lowering of LSS funding.

#### Interstate Common Line Support

Interstate Common Line Support (ICLS) helps to offset interstate access charges and is designed to permit each rate-of-return carrier to recover its common line revenue requirement, while ensuring that its subscriber line charges remain affordable to its customers. ICLS recognizes that a portion of the common line is used for interstate purposes. Because the Commission is including broadband as an advanced universal service and declaring its authority over broadband as an interstate service, the interstate usage of the common line will only increase in the future. Interstate Common Line Support is the obvious mechanism for recovery of other access rate amounts shifted due to Intercarrier Compensation reform. Alexicon recommends modifying the current MAG shift adjustment to move traffic sensitive switched access revenue requirement to the common line element in order to meet the Commission’s reform goals. All other aspects of the ICLS should remain the same. This will provide an explicit, predictable and sufficient support mechanism that preserves current and future universal service policies.

## **II. THE PROPOSED REGULATORY SYSTEM AND THE GENERAL DISCUSSION DO NOT MEET EITHER STATED OR STATUTORY FCC GOALS**

### **The NPRM Fails To Address Or Fails To Meet Statutory Goals In The Act**

Alexicon believes the NPRM does not comply with the Act:<sup>27</sup>

77. We are guided in the first instance by the Act. As described in the legal authority discussion above, section 254(b) of the Act sets forth principles that the Commission must follow in creating policies to preserve and advance universal

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<sup>27</sup> NPRM Para. 77

service. The principles that are directly relevant to the operation and size of the high-cost program are found in section 254(b)(1)-(3) and (b)(5).<sup>28</sup> Section 254(b)(1) specifies that services “be available at just, reasonable, and affordable rates.”<sup>29</sup> Section 254(b)(2) specifies that “[a]ccess to advanced telecommunications services and information services should be provided in all regions of the Nation.” Section 254(b)(3) specifies that “[c]onsumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, that are reasonably comparable to those services provided in urban areas” and “at rates that are reasonably comparable to rates charged for similar services in urban areas.”<sup>30</sup> And section 254(b)(5) specifies that federal and state mechanisms “should be specific, predictable and sufficient . . . to preserve and advance universal service.”<sup>31</sup>

In our opinion, the FCC is not guided by the Act regarding several major issues, as discussed throughout these comments.

#### The 1934 and the 1996 Act together require universal and comparable service to rural areas

The Communications Act of 1934 codified the national policy of universal service. That policy is reflected in the very first section of the statute: “[t]o make available, so far as possible, to all the people of the United States...a rapid, efficient, Nation-wide and world-wide wire and radio communications service with adequate facilities at reasonable charges....”<sup>32</sup> Before adoption of the 1996 Act, universal service was achieved largely through numerous implicit support mechanisms funded within the telephone industry.<sup>33</sup> In the 1996 Act, Congress added section

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<sup>28</sup> Footnote 115 of the NPRM states: As we discussed in the *Qwest II Remand Order*, the Commission has never “attempt[ed] to fully address each universal service principle in section 254(b) through each support mechanism. Nor is there any indication that Congress intended each principle to be fully addressed by each separate support mechanism. The Commission believes that any determination about whether the Commission has adequately implemented section 254 must look at the cumulative effect of the four support programs, acting together.” *High-Cost Universal Service Support Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, *Joint Petition of the Wyoming Public Service Commission and the Wyoming Office of Consumer Advocate for Supplemental Federal Universal Service Funds for Customers of Wyoming’s Non-Rural Incumbent Local Exchange Carrier*, CC Docket No. 96-45, Order on Remand and Memorandum Opinion and Order, 25 FCC Rcd 4072, 4086, Para. 26 (2010) (*Qwest II Remand Order*).

<sup>29</sup> Footnote 116 states: 47 U.S.C. § 254(b)(1).

<sup>30</sup> Footnote 117 states: 47 U.S.C. § 254(b)(3).

<sup>31</sup> Footnote 118 states: 47 U.S.C. § 254(b)(5).

<sup>32</sup> 47 U.S.C. § 151.

<sup>33</sup> See *Comprehensive Review of Universal Service Fund Management, Administration & Oversight, Notice of Proposed Rulemaking*, WC Docket No. 05-195, FCC 05-124, at ¶ 3 (June 14, 2005) (citing *Federal-State Joint Board on Universal Service, Report and Order*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 8784-85, ¶¶ 10-12 (1997) (*Universal Service Order*)).

254 to the Communications Act. Section 254, which was intended to ensure that access to the communications network is affordable and ubiquitous, ratified the use of universal service funding to assist low income consumers and consumers in high cost areas in obtaining affordable telephone service.<sup>34</sup> It also extended universal service support to schools, libraries, and certain rural health care providers.<sup>35</sup>

The proposal in the NPRM fails to meet the requirement of the 1996 Act<sup>36</sup> to provide comparable service in rural areas. In this Act, Congress directed the Commission and States to take the steps necessary in establishing support mechanisms to ensure the delivery of affordable telecommunications service to all Americans, including low-income consumers, eligible schools and libraries, and rural health care providers. Specifically, Congress directed the Commission and the States to devise methods to ensure that: “Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas ... have access to telecommunications and information services ... at rates that are reasonably comparable to rates charged for similar services in urban areas.”<sup>37</sup> The Commission acknowledged this requirement, for example, in 1997.<sup>38</sup> Therefore any proposal from the FCC must maintain rates for basic voice service at affordable levels. The current NPRM does not provide reference to the fact that Congress currently mandates *only* basic voice, and not broadband, service to be maintained and universally provided. Similarly, any proposal from the FCC must ensure that affordable basic service continues to be available to all users through an explicit universal service funding mechanism.

The NPRM does not adequately address affordability of rates in violation of the Act. One reason affordability may not have been adequately addressed in the NPRM may be that the proposal, if adopted, could likely raise rates. While the NPRM requests feedback on broadband delivery in general, the same basic principle for voice USF needs to apply to broadband USF. It is not only essential but mandatory that rates in rural, insular, and high cost areas must remain affordable

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<sup>34</sup> See 47 U.S.C. §§ 254(b), (j).

<sup>35</sup> See 47 U.S.C. § 254(h).

<sup>36</sup> Pub. L. No. 104-104, 110 Stat. 56. The 1996 Act amends the Communications Act of 1934, 47 U.S.C. §§ 151 *et seq.* (Act). Hereinafter, all citations to the Act and to the 1996 Act will be to the relevant section of the United States Code unless otherwise noted

<sup>37</sup> 247 U.S.C. § 254(b)(3).

<sup>38</sup> In the Matter of Federal-State Joint Board on Universal Service CC Docket No. 96-45 REPORT AND ORDER Adopted: May 7, 1997 Released: May 8, 1997

and comparable to urban rates. This mandate still applies to basic telecommunications service as well.<sup>39</sup> If the proposals are approved as written, it will inevitably cause substantial rate increases in rural areas resulting from the lack of sufficient funding necessary to carry out the Act's purposes. As discussed below, without a support fund (by any name) based on embedded costs for rate-of-return carriers, both broadband and basic voice telephone rates will skyrocket in rural areas. Indeed, the Commission previously created its Separations rules with this in mind:

ILECs were then required to “phase down” their interstate allocations of these costs from pre-1981 usage-based levels to a flat, 25% “gross” allocation, causing higher percentages of costs to be allocated to the state jurisdiction. *In 1984, concerned about the effects that this phase-down might have on local rates in high-cost areas, the Commission adopted rules permitting ILECs with loop costs exceeding 115% of the national average to recover a higher proportion of their costs from the interstate jurisdiction, thus reducing intrastate (local) costs.* These “expense adjustment” provisions incorporated in Part 36 of the Commission's rules, formed the basis of universal service funding for high-cost companies.<sup>40</sup>*(Emphasis added.)*

There are several proposals in the NPRM that are clearly not in the public interest. This issue is discussed below in the applicable sections.

### **The NPRM Fails To Follow Recommendations Of The NBP, Particularly With Regard To The USF, But Also To Rate-of-Return Service Areas And Customers In General**

The General Goal Recommended By The NBP Is That The FCC Should Conduct A Comprehensive Reform Of Universal Service And Intercarrier Compensation In Three Stages To Close The Broadband Availability Gap.<sup>41</sup> To accomplish this goal the NBP suggests three carefully designed stages with time lines:

Stage One constitutes laying the foundation for reform and is recommended to occur from 2010 to 2011. The steps in Stage One are that the FCC should:

- Improve Universal Service Fund (USF) performance and accountability
- Create the Connect America Fund (CAF)
- Create the Mobility Fund

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<sup>39</sup> See e.g., Section 254 of the Act.

<sup>40</sup> NECA guide to Telephone Regulation, Revised as of May 9, 2007, “Brief History” section, pg 2

<sup>41</sup> The following discussion is based upon the NBP pp. 135-151

- Design new USF funds in a tax-efficient manner to minimize the size of the gap
- Solicit input from Tribal governments on USF matters that impact Tribal lands throughout the USF reform process
- Take action to shift up to \$15.5 billion over the next decade from the current High-Cost program to broadband through common-sense reforms
- Adopt a framework for long-term intercarrier compensation (ICC) reform that creates a glide path to eliminate per-minute charges while providing carriers an opportunity for adequate cost recovery, and establish interim solutions to address arbitrage
- Examine middle-mile costs and pricing

As can be seen, the first 2 years consist of studying and planning. It specifically does not include requesting feedback to enhance the record in this proceeding or any other definitive action before these steps are taken. Alexicon believes it is critical to plan, analyze, and gather evidence in this proceeding in an effort to not rush this most important transition and give the NBP its due credit. Notice of Inquiries (NOI's) would have been and are very useful to obtain input. Only after each step is completed would an NPRM be appropriate.

Stage Two constitutes accelerating reform and is recommended to occur from 2012 to 2016. The steps in this stage are that the FCC should:

- Begin making disbursements from the CAF
- Broaden the universal service contribution base
- Begin a staged transition of reducing per minute rates for intercarrier compensation

Again, it can be seen that the steps to the ultimate goal should be taken carefully. Planning and then incremental implementation are the core of these stages. The NPRM does not follow this strategy and that failure underlies most of the comments herein.

Stage Three constitutes completing the transition from 2017 to 2020. The steps in this stage are that the FCC should:

- Manage the total size of the USF to remain close to its current size (in 2010 dollars) in order to minimize the burden of increasing universal service contributions on consumers
- Eliminate the legacy High-Cost program, with all federal government funding to support broadband availability provided through the CAF
- Continue reducing ICC rates by phasing out per-minute rates for the origination and termination of telecommunications traffic

This stage continues the measured steps and consideration for any harm that might come from the actions taken to reach the desired goal. That is lacking in the current NPRM.

In order to accelerate broadband deployment the NBP recommends that Congress should consider providing optional public funding to the Connect America Fund, such as a few billion dollars per year over a two to three year period.<sup>42</sup> The NBP further recommends that Congress should consider providing other grants, loans and loan guarantees such as expanding combination grant/loan programs; expanding the Community Connect program; and establishing a Tribal Broadband Fund to support sustainable broadband deployment and adoption on Tribal lands.

When the NBP specifically addresses the broadband availability gap,<sup>43</sup> it speaks of relevant issues not adequately addressed in the NPRM. For example, the NBP recognizes that the availability gap is greatest in areas with low population density<sup>44</sup>, and states:

Because service providers in these areas cannot earn enough revenue to cover the costs of deploying and operating broadband networks, including expected returns on capital, there is no business case to offer broadband services in these areas. As a result, it is unlikely that private investment

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<sup>42</sup> NBP, pg 151

<sup>43</sup> Id. at pp. 136 et seq.

<sup>44</sup> Id. citing Robert C. Atkinson & Ivy E. Schultz, Columbia Inst. for Tele-Information, Broadband In America: Where It Is And Where It Is Going (According To Broadband Service Providers) 24 (2009) (Atkinson & Schultz, Broadband in America).

alone will fill the broadband availability gap. The question, then, is how much public support will be required to fill the gap.

An FCC analysis finds that the level of additional funding required is approximately \$24 billion (present value in 2010 dollars) <sup>45</sup> as described in Exhibit 8-B. <sup>46</sup> Exhibit 8-B presents the broadband availability gap in greater detail. Initial capital expenditures (“initial capex”) are the incremental investments required to deploy networks that can deliver the targeted level of service to everyone in the United States; this covers new networks and upgrades of existing networks. “Ongoing costs” are the incremental costs that must be incurred to operate those networks. They include the cost of replacing old or outdated equipment, access to middle-mile transport and other continuing costs such as customer service, marketing, maintenance, and network operations.

A gap <sup>47</sup> cannot be filled by creating a gap elsewhere. The issue is not, as the NPRM states, how much public support will be required to fill the gap. In Alexicon’s opinion, the issue is that the NPRM proposes to fill this gap by creating a gap in another place.

*There is no basis in the NPRM for the assumption that the stated problem requires radical measures rather than meticulous analysis and then careful change if necessary*

The NPRM proposes a drastic overhaul of the system that provides telecommunications services in rural communities. Yet, there are other solutions to universalizing broadband and getting broadband deployed to unserved areas without harming small and rural ILECs and without devastation of the rural areas of the nation. Some of those solutions and options to consider are contained in these comments. Some are contained in the comments of others in this proceeding.

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<sup>45</sup> Id. stating: According to Clearwire’s November 10, 2009 earnings report, it expected to provide service in the following cities by the end of 2009: Atlanta, GA; Baltimore, MD; Boise, ID; Chicago, IL; Las Vegas, NV; Philadelphia, PA; Charlotte, Raleigh, and Greensboro, NC; Honolulu and Maui, HI; Seattle and Bellingham, WA; Portland and Salem, OR; and Dallas/Ft. Worth, San Antonio, Austin, Abilene, Amarillo, Corpus Christi, Killeen/Temple, Lubbock, Midland/Odessa, Waco and Wichita Falls, TX. Clearwire, *Clearwire Reports Third Quarter 2009 Results* (press release), Nov. 10, 2009, <http://investors.clearwire.com/phoenix.zhtml?c=198722&p=irolnewsArticle&ID=1353840>.

<sup>46</sup> Exhibit 8-B is omitted

<sup>47</sup> <http://www.merriam-webster.com/dictionary/gap>

## **The FCC Does Not Meet The Goals Set Forth In Its Own NPRM**

The FCC, through the National Broadband Plan (NBP), has set an initial universalization target of 4 Mbps of actual download speed and 1 Mbps of actual upload speed<sup>48</sup>. The current NPRM seeks comment on what impact setting an initial threshold of 3 Mbps actual download speed and 768 kbps of actual upload speed would have on the plan. The Commission goes on to propose that 768 kbps download speed be considered basic high speed Internet access.<sup>49</sup> The net result of this proposal will be that broadband speeds of less than 20% of the stated target of 4 Mbps, a number that many Americans already consider grossly inadequate, will be considered adequate and those areas will be considered ineligible for funding in the first phase. In a nutshell, the FCC neither meets the target of the NBP nor does it meet its own stated goal in this NPRM. Clearly no one will consider 768 kbps reasonably comparable to services provided in urban areas of the country.

### **III. THE PROPOSED RULE MUST FIRST BE REFERRED TO THE JOINT BOARD**

Alexicon believes that the FCC must refer this NPRM to the Joint Board in accordance with Section 410(c) of the Communications Act of 1934. In this Act, Section 410(c) states:

The Commission shall refer any proceeding regarding the jurisdictional separation of common carrier property and expenses between interstate and intrastate operations, which it institutes pursuant to a notice of proposed rulemaking and, except as provided in section 409 of this Act, may refer any other matter, relating to common carrier communications of joint Federal-State concern, to a Federal-State Joint Board. The Joint Board shall possess the same jurisdiction, power, duties, and obligations as a joint board established under subsection (a) of this section, and shall prepare a recommended decision for prompt review and action by the Commission.

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<sup>48</sup> NBP page 135, box 8-1

<sup>49</sup> NPRM ¶267

The Commission has followed this statutory mandate in the past. For example, in 1996, the Commission, as directed by Congress, issued a Notice of Proposed Rulemaking raising a wide variety of issues and referred them to the newly constituted Joint Board for consideration.<sup>50</sup>

As an example, per the Commission's own rules corporate operations expenses are clearly includable in C.F.R. Part 36 regarding Jurisdictional Separations<sup>51</sup> as a common carrier expense. To now deviate from allowance of these expenses for separations purposes, in our opinion, constitutes legality issues of the Commission following its own Section 410( c) rules. It is unclear why the Commission has not followed due process in the current proceeding on this point or cooperated with the Federal-State Joint Board or State Commissions as stated in Section 410(a), (b), or (c) of the Communications Act of 1934. Also, as the Commission is proposing to assume broadband in their jurisdiction, additional questions arise as to what jurisdiction broadband services relate to and whether the Commission conferred with the Joint Board on "the jurisdictional separation of common carrier property and expenses between interstate and intrastate operations..."<sup>52</sup> In any case, the NPRM appears to be both legally insufficient and in violation of the Act, thereby soliciting the involvement of Congress to ensure that the principles of Section 254 of the Act are kept intact by virtue of previous proper recognition that these small carriers indeed have unique circumstances and are often high-cost in nature.

#### **IV. IF THE PROPOSALS ARE IMPLEMENTED AS IS, BILLIONS OF TAX DOLLARS LOANED TO RURAL CARRIERS BY RUS AND PRIVATE FUNDING INSTITUTIONS WILL BE LOST THROUGH DEFAULTED LOANS**

Clearly one of the most significant concerns should be the nearly inevitable jeopardy this plan creates for taxpayers, rural rate-of-return carriers, rural businesses and those Americans affected by this well-intended but poorly developed plan.

The current NPRM proposal to reduce support for rate-of-return carriers places significant taxpayer as well as private dollars at risk under the auspices of reducing the 'burden' on consumers. The RUS division of the USDA currently manages a telecommunications loan

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<sup>50</sup> Federal-State Joint Board on Universal Service, CC Docket 96-45, Notice of Proposed Rulemaking and Order Establishing Joint Board, 11 FCC Rcd 18092 (1996).

<sup>51</sup> C.F.R Part 36.391, 36.392

<sup>52</sup> Communications Act of 1934, Section 410( c)

portfolio with commitments in excess of \$11 billion<sup>53</sup>. RUS currently has less than a 1% default rate.<sup>54</sup> The current proposal to reduce funding to carriers will place most, if not all, of these carriers in default of the Times Interest Earned Ratio (TIER) requirements.<sup>55</sup> As shown in EXHIBIT E, the proposed CAF replacement would put these carriers in default. This could place most of the loan portfolio in an at-risk position and would require significant and immediate rate increases by the borrowers, negating any possible USF savings and potentially putting the carriers into a ‘death spiral’ as customers flee, requiring further rate hikes until the inevitable failure. While the NPRM proposes to replace the revenues via increased SLC and ‘an opportunity to increase end-user charges’<sup>56</sup>, this ignores the tremendous variations in the size of the customer base among rural rate-of-return carriers, and even the larger rate-of-return carriers have relatively small customer bases among which they can spread these costs.

Alexicon has compiled financial forecast analyses for 7 of our clients in order to help determine the impact of the proposed changes. ALL of them fall into a negative TIER. A TIER of less than one is a violation of RUS loan covenants pursuant to 7 CFR 1735.22(g). The net effect of the proposed changes is swift, resulting in significant financial damage as early as year 2 of the proposed plan and will put any borrower in default and subject to seizure by RUS. As a result, RUS and the government could find themselves in the business of running telephone companies and most likely in court defending itself against Fifth Amendment lawsuits. It should be of no surprise that rural rate-of-return carriers, their customers and members of Congress<sup>57</sup> have expressed great concern for this grave scenario that is unfolding with this proposal.

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<sup>53</sup> USDA Rural Development 2010 Progress Report, pp 32 FY 2003-2010

<sup>54</sup> Presentation: United States Department of Agriculture, Rural Development (Patricia Clark) at the Kansas Corporation Commission Telecommunications on the Cusp Roundtable meeting March 11, 2011

<sup>55</sup> 7 CFR 1735.22(g) For loans approved after October 6, 1997 loan contracts and mortgages covering hardship loans, RUS cost-of-money loans, RTB loans, and guaranteed loans will contain a provision requiring the borrower to maintain a TIER of at least 1.0 during the Forecast Period. At the end of the Forecast Period, the borrower shall be required to maintain, at a minimum, a TIER at least equal to the projected TIER determined by the feasibility study prepared in connection with the loan, but at least 1.0 and not greater than 1.5.

<sup>56</sup> NPRM at ¶ 574.

<sup>57</sup> Letter from the House:

[http://www.ntca.org/images/stories/Documents/Advocacy/2011\\_LPC/Rep\\_Johnson\\_Letter\\_signed.pdf](http://www.ntca.org/images/stories/Documents/Advocacy/2011_LPC/Rep_Johnson_Letter_signed.pdf);

Letter from the Senate:

[http://www.ntca.org/images/stories/Documents/Advocacy/2011\\_LPC/Begich\\_Thune\\_USF\\_FCC\\_Letter\\_signed.pdf](http://www.ntca.org/images/stories/Documents/Advocacy/2011_LPC/Begich_Thune_USF_FCC_Letter_signed.pdf)

What makes this problem significantly worse is that only last year, Congress, through the American Recovery and Reinvestment Act (ARRA),<sup>58</sup> invested \$7.2 Billion to expand broadband availability and adoption across the country. Of that amount, RUS has provided 320 loan and grant Broadband Investment Program (BIP) awards in 46 states nearing \$3.53 Billion in infrastructure investments. Of the total, 286 awards in the amount of \$2.36 Billion were for last mile construction,<sup>59</sup> primarily to rural rate-of-return companies, who are the most at risk as a result of the proposed policy changes. In telecommunications, RUS financing is dependent upon sufficient, specific and predictable revenues. USF support and ICC revenues are among the factors evaluated in virtually every RUS loan. Only 4 out of the 480 active borrowers in the RUS nationwide portfolio did not receive rural high cost support.<sup>60</sup>

In addition to the \$11 billion<sup>61</sup> committed for loans from RUS using taxpayer dollars being placed at risk, there are other significant government guaranteed loans and loans from the banking industry, often syndicated among smaller local banks which may be placed at risk. There are significant quantities of rural telecommunication loans made by members of the Farm Credit Service. Among the largest of these is CoBank, which specializes in understanding and lending to the rural market, including rural telecommunications providers. While we cannot speak for CoBank, in prior comments they noted that their portfolio included \$4.2 billion in telecommunications loans and provides similar loan covenants.<sup>62</sup> The regulations as proposed constitute a very real systemic risk to the credit infrastructure of the rural portions of our country.

Many of these institutions are provided liquidity by Federal Agricultural Mortgage Corporation (Farmer Mac) in much the same fashion as Fannie Mae and Freddie Mac provide liquidity to the residential home market. Given the ongoing meltdown of the those entities,<sup>63</sup> it is beyond all reason that the FCC would place further strain on yet another government sponsored enterprise by deliberately cutting funding to the borrowers.

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<sup>58</sup> ARRA, Section 3(a)(1) "To preserve and create jobs and promote economic recovery"

<sup>59</sup> See footnote 54 above

<sup>60</sup> Id.

<sup>61</sup> See footnote 55 above

<sup>62</sup> CoBank ex parte letter CC Docket 96-45, filed April 7, 2011.

<sup>63</sup> Federal National Mortgage Association Form 10-K, Dec 31, 2010

([http://www.fanniemae.com/ir/pdf/earnings/2010/10k\\_2010.pdf](http://www.fanniemae.com/ir/pdf/earnings/2010/10k_2010.pdf)), Federal Home Loan Mortgage Corporation, Form 10-K, Dec 31, 2010 ([http://www.freddie.mac.com/investors/sec\\_filings/index.html](http://www.freddie.mac.com/investors/sec_filings/index.html))

In addition to the cataclysmic possibility of actual default, there is the subtler but no less damaging risk of replicating the “credit crisis” of 2008 in the rural telecommunications industry, which would then snowball to impact other portions of the rural economy. The reduction in income and resulting instability of the rural carrier’s revenue streams, even without significant default, will have an immediate impact on their access to the capital and credit markets. As the world recently witnessed, very publicly and on an international scale, this has devastating impact on economies.

Alexicon respectfully requests that the proposed changes be stopped until the USDA/Rural Utilities Service fully discloses the potential impact on public funds as specifically requested in separate letters signed by 30 Senators dated April 6, 2011 and 35 House Representatives dated March 31, 2011, including but not limited to those companies who have borrowed money or received grants.

## **V. ONE RESULT OF THE PROPOSED RULE, IF PASSED AS WRITTEN, WOULD BE UNCONSTITUTIONAL REGULATORY TAKINGS WITHOUT JUST COMPENSATION**

In addition to placing taxpayer funds at risk as discussed directly above, there are private property interests that would become totally valueless or diminished so seriously that the “takings” clause of the Fifth Amendment would be implicated.<sup>64</sup>

The NPRM addresses this constitutional issue only with regard to “transitioning [the current] forms of support.”<sup>65</sup> This brief discussion of withdrawal of a benefit fails to address the other

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<sup>64</sup> 582 F.3d at 999. (“The takings clause of the Fifth Amendment to the U.S. Constitution provides “private property [shall not] be taken for public use, without just compensation.” The *Takings Clause* “does not prohibit the taking of private property, but instead places a condition on the exercise of that power.” *First English Evangelical Lutheran Church of Glendale v. County of Los Angeles*, 482 U.S. 304, 314, 107 S. Ct. 2378, 96 L. Ed. 2d 250 (1987). The *Takings Clause* was drafted so as “not to limit the governmental interference with property rights *per se*, but rather to secure compensation in the event of otherwise proper interference amounting to a taking.” *Id.* at 315. The *Takings Clause* “bar[s] Government from forcing some people alone to bear public burdens which, in all fairness [\*4] and justice, should be borne by the public as a whole.” *Lingle v. Chevron U.S.A. Inc.*, 544 U.S. 528, 537, 125 S. Ct. 2074, 161 L. Ed. 2d 876 (2005) (quoting *Armstrong v. United States*, 364 U.S. 40, 49, 80 S. Ct. 1563, 4 L. Ed. 2d 1554 (1960)). (*Emphasis in the original.*)

<sup>65</sup> NPRM Para. 240.

significant and substantial consequences of the NPRM that would constitute takings requiring compensation.

Under the NPRM, when the incumbent carrier is not the winner in a reverse auction, existing network infrastructure would either be valued as scrap if the winner did not take over the infrastructure or the winner would take over the infrastructure and the incumbent would default on the property itself. Reimbursement would therefore be due incumbent companies who do not win in a reverse auction scenario. The question of what happens to the incumbent rural carriers' infrastructure if another company "wins" the bid is the issue underlying the Constitutional "taking" analysis. The NPRM is silent about this fundamental and essential issue. The NBP "assumes that existing networks will be available on an ongoing basis without taking into consideration the role of existing universal service support. For example, if a carrier in a high-cost area uses high-cost support to make voice and broadband available to eighty-five percent of its customers, the National Broadband Plan model estimates the cost of deploying broadband to the remaining fifteen percent, but does not consider the costs associated with the eighty-five percent that already have access to broadband."<sup>66</sup>

The issue is thus whether the proposed FCC Rule will constitute takings under the Fifth Amendment of our Constitution. This regulatory action by the FCC appears to constitute at face value a taking requiring just compensation, based upon the Supreme Court's strong holdings in e.g., *Lingle v. Chevron U.S.A. Inc.*, 544 U.S. 528; 125 S. Ct. 2074; 161 L. Ed. 2d 876 (2005); *Dolan v. City of Tigard*, 512 U.S. 374; 114 S. Ct. 2309; 129 L. Ed. 2d 304 (1994); and many others. Pursuant to these decisions of the United States Supreme Court, the proposed FCC regulatory action is an uncompensated taking of property in violation of the takings clause of the Federal Constitution's Fifth Amendment. The Supreme Court addressed the issue in *Lingle*, reviewing its prior rulings and explaining the analysis needed for a regulatory taking. The Court held that regulatory actions generally will be deemed *per se* takings for Fifth Amendment purposes (1) where government requires an owner to suffer a permanent physical invasion of her property; or (2) where, as here, regulations completely deprive an owner of "all economically beneficial use" of his property. The goal is to identify regulatory actions that are functionally

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<sup>66</sup> The NPRM also fails to take into account any universal service support that carriers may currently receive for providing supported telephony services, whether or not they provide broadband

equivalent to a direct appropriation of or ouster from private property, and so the focus is upon the severity of the burden that government imposes upon property rights.<sup>67</sup> Alexicon believes the regulatory taking presented in the NPRM falls within category (2) as described above by the Supreme Court and is therefore a *per se* taking.

There is another issue for courts to consider in regulatory taking cases and that is fairness. The Supreme Court has held that taking cases requires the court to "attend to those circumstances which are probative of what fairness requires in a given case."<sup>68</sup> In this case, fairness lies with the incumbent owners, investors and lenders. They are all innocent parties who relied upon the action, laws and regulations of the federal government when they successfully developed the undeniably successful rural rate-of-return telecommunications network. Their situations are in contrast to the plaintiffs in *Guggenheim v. City of Goleta* in which the plaintiffs were denied compensation because they made their investment after the regulation they were challenging was put into effect<sup>69</sup>.

If, as Supreme Court case law makes clear, the FCC's actions are considered a "*per se* taking" requiring reimbursement under the Fifth Amendment, the next crucial question that arises is: Who would pay the reimbursement? Constitutional challenges to the proposed Rule will lead to a delay of implementation even if the Rule were found constitutional because it's very likely that some plaintiffs will seek stays in the judicial district that the cases are tried in and the stays may well be granted. If the government does not acknowledge that the proposed reverse auction constitutes a "taking", there would likely be court challenges and demands for reimbursement. Even if the government acknowledges the carriers have a right to reimbursement, "taking" cases

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<sup>67</sup> *Lingle*, 544 U.S. at 537-38.

<sup>68</sup> *Palazzolo v. Rhode Island*, 533 U.S. 606,635, 121 S. Ct. 2448, 150 L. Ed. 2d 592 (2001) (O'Connor, J., concurring); quoted with approval in *Guggenheim v. City of Goleta* 582 F.3d 996 (Ninth Cir. 2009) (*dissenting opinion*); Rehearing, en banc, granted by Ninth Circuit 598 F.3d 106 (9th Cir., 2010) Vacated by, decision reached on appeal by *Guggenheim v. City of Goleta*, 2010 U.S. App. LEXIS 25981 (9th Cir. 2010)(*decision to affirm was what dissent opinion had recommended*; *Daniel v. County of Santa Barbara*, 288 F.3d 375, 383 (9th Cir. 2002).

<sup>69</sup> *Goleta* at 999.

go to court fairly often. If similar situations in the past are any indication, property owners will go to court to argue value if just compensation is not offered.<sup>70</sup>

There are more traditional takings issues regarding the infrastructure belonging to extant rural rate-of-return carriers if another carrier “wins” the reverse auction.

Even if this infrastructure is only partially used by the “winner,” the total loss of value of what is not used will still be a clear taking that must be compensated.<sup>71</sup> Then the question arises: who will pay for it, the new carrier or the federal government? Will the federal government have to add that compensation to the amount the successful bidder offered, thereby increasing the cost to the USF/CAF? Or instead will the successful bidder have to include the amount in its bid, thereby increasing the cost to the USF/CAF? Or rather does the FCC expect the successful bidder to pay the compensation out of its profits? Obviously it is unlikely that anyone will bid under these circumstances.

Similarly, Alexicon asks what happens to all committed and collateralized loans that have not yet been repaid in full. The loans were granted in good faith based upon then-current federal law. Thus, repayment of these loans to the lenders cannot possibly be construed as a revocable government “benefit”, even under the NPRM’s strained argument in ¶ 240. The failure of repayment will be due solely to the government (i.e. the FCC) actions and is clearly a taking which must be compensated.<sup>72</sup>

Lastly, Alexicon takes issue with the NPRM’s statement, “The Fifth Amendment protects against takings; it does not confer a constitutional right to government-subsidized profits.”<sup>73</sup> A common fallacy this Commission seems to have undertaken is that the current USF is either “government money” or “government-subsidized” in some way. Certain regulations governing the current USF are clearly in the jurisdiction of the FCC. However, the USF is not government-subsidized, nor are there any “government-subsidized profits” since the federal government is not using taxpayer monies to contribute to the fund in any way (except as a customer themselves). Instead,

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<sup>70</sup> A search using Lexis™ for reported cases in state and federal courts yielded 109 cases. This number does not include state trial court cases that were not appealed. E.g., *Lingle, v. Chevron U.S.A. Inc.*, 544 U.S. 528; 125 S. Ct. 2074; 161 L. Ed. 2d 876 (2005). This number does not include state trial court cases that were not appealed.

<sup>71</sup> *Palazzolo* supra ftn. 47.

<sup>72</sup> See cases cited above in this section.

<sup>73</sup> NPRM Para 240

USF is a program that is funded solely and generally by telecommunications providers and customers of telecommunications providers.

## **VI. THERE ARE OTHER CRUCIAL PROCEDURAL AND LEGAL ISSUES THAT MUST BE RESOLVED PRIOR TO ADOPTION OF ANY PROPOSED RULE**

### **The FCC Argues The USF Is Too Large But Fails To Cite Factual Support For This Claim Or To Cite Legal Authority For Making This Decision**

Because the NPRM provides no factual support for this claim, questions arise: Exactly how is the USF too big? And why? Under what basis is the USF too large? The Act is clear that, “There should be specific, predictable *and sufficient* Federal and State mechanisms to preserve and advance universal service.”<sup>74</sup> In this regard, Alexicon questions the Commission’s legal authority to decide the USF is too big without providing empirical data for this claim.<sup>75</sup>

### **Appropriations Law Does Not Govern the USF**

Contrary to the assertion in the NPRM, the Universal Services Fund is not comprised of appropriated taxpayer funds and is not governed by law applicable to federal appropriations. As the Commission is aware, funds paid into the USF do not go into the U.S. Treasury<sup>76</sup> but rather the Universal Service Administrative Company (USAC) receives, administers and distributes the USF. USAC is a not-for-profit corporation, which was appointed by the FCC as the permanent administrator of the universal service support mechanisms and the funds associated therewith pursuant to Section 54.701 of the Commission’s rules (47 C.F.R. § 54.701).<sup>77</sup>

Congress placed the regulatory details of implementing section 254 in the hands of the Commission and the Federal-State Joint Board on Universal Service. Congress also gave broad discretion to the Commission, after consultation with the Joint Board, to implement the universal

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<sup>74</sup> Section 254(b)(5)

<sup>75</sup> It must be noted that there is no statutory citation that can prove a negative other than to refer the reader to both entire Acts. However, if the FCC believes there is such authority, it should have been cited in the NPRM.

<sup>76</sup> While it is acknowledged that Congress gave certain directions for the USF in an appropriations bill, the fund itself is not an appropriation. Congress often puts policy measures into appropriations bills

<sup>77</sup> March 15, 2011 letter to Steven VanRoekel, Managing Director, FCC, from which most of its discussion is derived.

service support mechanisms outlined in the 1996 Act.<sup>78</sup> Furthermore, Congress made clear that universal service support was not a government program that would be funded by annually appropriated dollars. To the contrary, funds for universal service support were to be collected by requiring that “[e]very telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the Commission to preserve and advance universal service.”<sup>79</sup> Congress did not expect the Commission or any other federal agency to pay for universal service support or for administration of universal service, and did not appropriate funds for such a purpose.<sup>80</sup>

In 1996, the Commission, as directed by Congress, issued a Notice of Proposed Rulemaking raising a wide variety of issues and referred them to the newly constituted Joint Board for consideration.<sup>81</sup> Among other things, the Notice suggested that the support mechanisms could be administered (as they had been in the past) by a non-governmental entity and stated that any Administrator selected should be required to operate in an efficient, fair, and competitively neutral manner.<sup>82</sup>

In July 1998, the Senate expressed the “sense of the Senate” that “[f]ederal and state universal [service] contributions are administered by an independent, non-federal entity and are not deposited into the Federal Treasury and therefore [are] not available for Federal appropriations.”<sup>83</sup> The Senate adopted this statement as part of an act repealing a provision of the Balanced Budget Act of 1997, which would have allowed for an appropriation from universal service funds to be repaid later.<sup>84</sup> Universal service funds are designated by the Treasury

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<sup>78</sup> See 47 U.S.C. §§ 254(a), 410(c).

<sup>79</sup> 47 U.S.C. § 254(d).

<sup>80</sup> See S. Rep. No. 104-23, at 94 (“There should be a coordinated Federal-State universal service system to preserve and advance universal service using specific and predictable Federal and State mechanisms administered by independent, non-governmental entities.”).

<sup>81</sup> See *Federal-State Joint Board on Universal Service*, CC Docket 96-45, Notice of Proposed Rulemaking and Order Establishing Joint Board, 11 FCC Rcd 18092 (1996).

<sup>82</sup> See *id.* at 18150, ¶ 128.

<sup>83</sup> 143 CONG. REC. S8213-01, S8214 (daily ed. July 29, 1998) (statement of Sen. Gregg)

<sup>84</sup> The Balanced Budget Act of 1997 initially contained a provision allowing an appropriation from universal service funds for fiscal year (FY) 2001 to be repaid in FY 2002, although the conferees expressed concern about the precedent this provision set and “its possible impacts on universal service in the United States.” See Balanced Budget Act of 1997, § 3006, Pub. L. No. 105-33, 111 Stat. 257, 269; H.R. REP. NO. 105-217, at 581 (1997), *reprinted in* 1997 U.S.C.C.A.N. 176, 202. This provision was repealed later in the same session, and no money

Department as funds held outside the Treasury; and, because the funds are not in the Treasury, they are not subject to annual appropriations.<sup>85</sup>

In April 2000, the Office of Management and Budget (OMB) reiterated that universal service funds do “not constitute public money pursuant to the Miscellaneous Receipts Statute, 31 U.S.C. § 3302, and [are] appropriately maintained outside the Treasury by a non-governmental manager.”<sup>86</sup> OMB also recognized that Congress intended no change in the preexisting mechanisms for administration of universal service.<sup>87</sup> The Commission has agreed with OMB’s analysis, informing GAO that it “concur[s] with OMB’s conclusion that the universal service fund is appropriately maintained outside the Treasury by a non-governmental manager, particularly in light of the legal history of the universal service fund.”<sup>88</sup> The Commission reaffirmed its view that “the current USAC structure is consistent with congressional intent and conforms with congressional guidance.”<sup>89</sup>

USAC collects contributions to, and disburses universal service support from, the four universal service support mechanisms: High Cost; Low Income; Rural Health Care; and Schools and Libraries Support Mechanisms. USAC’s functions and responsibilities set forth in Commission orders and regulations include: administering the support mechanisms; billing contributors; collecting contributions and disbursing universal service funds; maintaining books and records for the universal service support mechanisms, funds associated therewith, and USAC; and reporting quarterly, annually and on an as-requested basis to the Commission on its

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was ever appropriated. *See* Departments of Commerce, Justice and State, the Judiciary, and Related Agencies Appropriations Act of 1998, § 622, Pub. L. No. 105-119, 111 Stat. 2440, 2521 (1998).

<sup>85</sup> *See* 143 CONG. REC. S8213-01, S8214 (daily ed. July 29, 1997) (statement of Sen. Daschle that “the Universal Service Fund is comprised of private fees” and that “there are no Federal tax dollars involved in the universal service fund.”); *see also Texas Office of Public Utility Counsel v. FCC*, 183 F.3d 393, 426-27 (5th Cir. 1999), *cert. denied*, 120 S.Ct. 2212 (May 30, 2000) (Universal Service Funds are not federal “revenue” for purposes of Constitutional requirement that “[a]ll Bills for Raising Revenue shall originate in the House of Representatives.” [art. I, § 7, cl. 1]).

<sup>86</sup> Letter from Robert G. Damus, General Counsel, OMB, to Christopher Wright, FCC General Counsel, at 3 (Apr. 28, 2000) (*April 28 OMB Letter*).

<sup>87</sup> *Id.* at 4.

<sup>88</sup> *See* Letter from William E. Kennard, FCC Chairman, to Michael R. Volpe, Assistant General Counsel, GAO, at 2 (April 28, 2000).

<sup>89</sup> Letter from Andrew Fishel, Managing Director, FCC, to Mark Goldstein, Director, Physical Infrastructure Issues, GAO, at 3 (Jan. 14, 2005) (*Fishel GAO Letter*), *reprinted in* GAO, Telecommunications: Greater Involvement Needed by FCC in the Management and Oversight of the E-Rate Program, GAO-05-151, at 58 (Washington, D.C., Feb. 9, 2005) (*GAO 2005 E-Rate Report*).

administrative activities.<sup>90</sup> Ultimately, Alexicon contends, as discussed above, that universal service funds are not part of the annual federal government appropriations process.

**While Congress Has Delegated Certain Policy Authority To The FCC, It Has Not Delegated The Authority To Change Enacted Congressional Policy. Similarly, “Policy Discretion” Should Not Be Interpreted To Mean The FCC Has Discretion To Change Enacted Congressional Policy**

The NPRM ignores the limits Congress bestowed upon the FCC in determining the FCC’s discretion. Congress placed the regulatory details of implementing section 254 in the hands of the Commission and the Federal-State Joint Board on Universal Service. Congress also gave broad discretion to the Commission, after consultation with the Joint Board, to implement the universal service support mechanisms *outlined in the 1996 Act*.<sup>91</sup> Clearly Congress did not delegate or authorize the FCC to ignore or go beyond the Act. Alexicon therefore asserts the FCC does not have the “discretion” it claims to change Congress’ enacted policies.

**VII. THE ASSUMPTIONS UPON WHICH THE NPRM IS BASED ARE TOO SPECULATIVE OR SIMPLY MISTAKEN**

**The Untrue Notion Stated In The NPRM Is That The USF Is Unsustainable And Contributes To “Waste And Inefficiency” By Rate-of-Return Carriers<sup>92</sup>**

The assumption and stated perception that the current USF is wasteful, inefficient, or fiscally irresponsible<sup>93</sup> is arbitrary and capricious. In USAC’s 2010 Annual Report, they reported that Round 2 of the FCC Office of Inspector General (OIG) USF audit program had been completed. It was reported that follow-up audit work by independent audit firms found that the initially reported improper payment rate of 23.3% was actually 2.7% for Round 2, and total improper payments were \$54.4 million instead of \$472 million.<sup>94</sup>

To state that a company is not efficient is to suggest the company is not producing the effect intended or desired. Contrary to the explicit misstatements in the NPRM, the historical record clearly shows rate-of-return companies as a whole are indeed producing the effect intended by

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<sup>90</sup> See generally, 47 C.F.R. §§ 54.701-702.

<sup>91</sup> See 47 U.S.C. §§ 254(a), 410(c).

<sup>92</sup> NPRM Para 1 among others

<sup>93</sup> NPRM, Para 33

<sup>94</sup> USAC Annual Report 2010 page 8

connecting rural communities with broadband as well as providing access to advanced services.<sup>95</sup> With the livelihoods of so many people and the financial viability of approximately 754 rural rate-of-return companies<sup>96</sup> and the financial institutions that have provided financing (including loans guaranteed by the US Government)<sup>97</sup> at stake, does it not seem reasonable that evidence, not opinion, be required before such significant changes are instituted as suggested by the current NPRM?

Rate-of-return companies predominantly operate in rural, sparsely populated areas of the country, often with dramatically different and/or unique geographic conditions. Rate-of-return regulation has allowed companies to work efficiently by adapting the appropriate technology to fit unique engineering challenges while recovering reasonable costs in accordance with Part 32 accounting rules. The most efficient companies have been forward looking, building the appropriate networks for current and future needs. Equipment for the past 10+ years has been capable of much faster speeds.<sup>98</sup> The cost of economically pushing access equipment deeper into networks at costs that now scale to much lower densities (12 or less)<sup>99</sup> have removed previous barriers to the efficient use of existing copper plant while preparing for future FTTx roll-outs.

Rate-of-return companies have operated efficiently while meeting the stated goals of the NPRM. Alexicon reiterates that one size does not fit all. Incentive regulation (aka price caps) may be the appropriate regulatory business solution for certain mid-sized to large companies. The Commission's intent to incentivize rate-of-return carriers by enforcing proposed regulations [included in its NPRM appendices] on current rate-of-return companies would be devastating.<sup>100</sup> See discussion and tables as EXHIBIT D.

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<sup>95</sup> NPRM at ¶170 and graph following; Section 254(b)(3)

<sup>96</sup> NPRM ¶165

<sup>97</sup> See Section V

<sup>98</sup> See Section VII, The NPRM fails to address essential issues, such as comparability of rural vs. urban, sometimes in direct violation of law. The NBP Fails to address the digital divide by proposing 4 Mbps service as adequate

<sup>99</sup> Example: Calix E3-12 ESAN

<sup>100</sup> Alexicon evaluation of its client base, EXHIBIT D

## **Alexicon believes It Is Also Untrue That A Substantial Cause Of The Growth Of The USF Is Due To Rate-of-Return Carriers**

The high cost portion of the USF attributable to rate-of-return carriers has been roughly the same for the five years since 2005 (\$2.365B then vs. \$2.395B today), including the safety valve and safety net additive components.<sup>101</sup>

Perhaps a more accurate view can be found in the growth of the ‘rate’ of the fund (i.e. the contribution factor assessed on carriers’ interstate revenue). In the third quarter of 2003, the assessment on carriers’ interstate revenues was 9.1%.<sup>102</sup> In the second quarter of 2010 that had grown to 15.3%.<sup>103</sup> Revenues subject to the factor during the second quarter of 2003 were estimated at \$18.8B. In the second quarter of 2010, revenues subject to the contribution had decreased to \$16.6B. In 1998, the costs of the IXC’s use of the local network shifted from implicit support via access charges to explicit support via LSS (Local Switching Support)<sup>104</sup> and ICLS (Interstate Common Line Support<sup>105</sup>). While this had the desired effect of lowering long distance prices, it shifted the burden to the end user customer via increased subscriber line charges (“SLC” charges) as well as shifted the burden to the USF in the form of new LSS and ICLS. The reduction in prices (revenues) also caused an upward pressure in the percentage of revenues required to support USF.

The Commission is proposing to do more with less while concurrently 'reducing' the burden on consumers.<sup>106</sup> While a laudable ideal, it is impractical on many fronts. Broadband is a more robust service than POTS and therefore more expensive to both the operator and the end user.

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<sup>101</sup> NECA report DOC-295442A5

<sup>102</sup> Proposed Third Quarter 2003 Universal Service Contribution Factor, June 6, 2003, [http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DA-03-1909A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-03-1909A1.pdf)

<sup>103</sup> Proposed Second Quarter 2010 Universal Service Contribution Factor , March 12, 2010 [http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DA-10-427A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-10-427A1.pdf)

<sup>104</sup> *Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, 16 FCC Rcd 11382 (2001); *Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Order and Further Notice of Proposed Rulemaking, 21 FCC Rcd 5516 (2006); *Jurisdictional Separations Reform and Referral to the Federal- State Joint Board*, CC Docket No. 80-286, Report and Order, 24 FCC Rcd 6162 (2009)

<sup>105</sup> *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, *Federal-State Joint Board on Universal Service*, Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256, Fifteenth Report and Order in CC Docket No. 96-45, 16 FCC Rcd 19613 (2001) (*MAG Order*).

<sup>106</sup> NPRM at ¶16

While in a POTS or wireless environment it is feasible to separately provision voice-only service, in the Broadband/IP network envisioned by the NBP and this Commission,<sup>107</sup> providing voice-only service first requires provisioning data services, then limiting those services, incurring greater and not lesser expenditures. It is somewhat surprising to Alexicon that the FCC itself recognizes that it must expand its budget<sup>108</sup> to review and implement the objectives outlined by Congress and its own National Broadband Plan, yet it proposes to reduce critical and necessary funding for the very carriers responsible for meeting those objectives.

### **Access And Reciprocal Compensation**

While the disparity between rates among the various jurisdictions is an issue, the NPRM carefully avoids the economic concept of ‘causation’ in its discussion.

The Commission has long held that intercarrier compensation rates should be based on incremental costs and has periodically modified its rules to effectuate this principle. The current proposal to place access into a reciprocal compensation regime turns that principle on its ear. The reciprocal compensation regime as implemented today is intended to provide a mechanism for a carrier without a commercial relationship with the originator to be compensated for the use of its network in completing that call within a ‘local calling area’ in which they compete.<sup>109</sup> This bears no relationship to the access charge regime where the network operator has no commercial relationship with the originator of the call. Further, Congress was clear in the Act and this Commission recognizes the massive burden Section 252 negotiation obligations would impose on the smaller rural carriers and specifically provided exemption under 252(f).

While there is a long history of implicit support using long distance charges to subsidize local rates (as the Commission has noted in this NPRM<sup>110</sup>), access minutes of use have declined significantly. In this proceeding, unlike past proceedings (MAG, CALLS) the Commission makes no attempt to quantify or even identify these ‘implicit’ supports but merely supposes that they exist. As the current Part 36 Separations rules require the specific identification of assets’

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<sup>107</sup> NPRM at ¶6

<sup>108</sup> FCC Chairman statement Hearing on the FCC’s Fiscal 2012 Budget Request  
([http://www.fcc.gov/Daily\\_Releases/Daily\\_Business/2011/db0330/DOC-305476A1.pdf](http://www.fcc.gov/Daily_Releases/Daily_Business/2011/db0330/DOC-305476A1.pdf))

<sup>109</sup> First Report and Order, 11 FCC Rcd 15499, 16013, (several court cases and remands as well)

<sup>110</sup> NPRM at ¶ 46

‘actual use’<sup>111</sup> for these purposes, there should be adequate information for the Commission to quantify the actual costs and compare them to revenues. Merely asserting that the current rates are above cost<sup>112</sup> does not make it so, particularly in light of the Accounting and Separations Rules currently imposed by this very Commission.

The instant proposal would have several negative effects on both the rural telecommunications providers and their customers. First, the Commission proposes to increase rates to subscribers by way of both an increased SLC and by allowing carriers ‘an opportunity’ to recover from their subscribers. This would result in significant increases in end user charges as shown in the tables and discussion in Appendix B and as shown by commenters in the previous NOI<sup>113</sup>. If it is the finding and will of this Commission to simply reduce or remove ICC as an implicit support, then in keeping with the principles enunciated in 254(e) the Commission is required to establish an explicit mechanism for said support. This principle does not exist in IP. In IP networks, the burden is entirely on the access user.

The NBP projects a funding gap of \$24B to reach the 4Mbps download/1Mbps goal for all Americans.<sup>114</sup> It further acknowledges that it does not contemplate *any* (emphasis added) amount of funding necessary for existing networks.<sup>115</sup> As stated above, the Commission should not attempt fill a gap in one place by creating one in another place. Prior to reducing funding for those existing networks, it is incumbent on the Commission to establish a path to replace those funds or to identify that they are not in fact necessary. There is nothing to indicate that the smaller rural carriers spent USF dollars unnecessarily in fulfilling the goals of Congress and this Commission in deploying basic and advanced services, merely that they ‘may’ have spent those dollars to do so, in accord with this Commissions ‘no barriers’ policy.<sup>116</sup>

The NPRM states:

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<sup>111</sup> See 47 CFR 36.2

<sup>112</sup> NBP at 142

<sup>113</sup> Comments of Oregon Telecommunications Associations and Washington Independent Telecommunications Association at §3

<sup>114</sup> NBP, pg. 136

<sup>115</sup> NBP at p. 137 –“the estimated gap does not include any amounts necessary to support companies that currently receive universal service support”

<sup>116</sup> *Rural Task Force Order*, 16 FCC Rcd at 11322

“Our USF and ICC programs currently are directed at telephone service, not broadband. The component of the Fund that supports telecommunications service in high-cost areas has grown from \$2.6 billion in 2001 to \$4.3 billion in 2010, but it still primarily supports voice, including, in some instances, broadband-capable infrastructure that delivers voice.”<sup>117</sup>

While the statements made are factual, the implication of the second sentence is misleading. While the High Cost Fund has in fact grown as indicated, it does not include the fact that the period in question includes the implementation of the CALLS<sup>118</sup> and MAG<sup>119</sup> orders moving from implicit supports to explicit supports, nor the recognized impacts of the ‘identical support’ rule which are addressed in this NPRM.<sup>120</sup>

In addition, it should be noted that funding for rate-of-return carriers, which have been deploying broadband services, has not grown relative to inflation over this same period.<sup>121</sup> This would seem to be indicative of the sufficient funding levels required to deploy broadband networks capable of providing voice, as the Commission and Congress have supported.

The NPRM goes on to state in paragraph 6:

It has had the effect of rewarding carriers for maintaining outdated infrastructure rather than migrating to Internet protocol (IP)-based networks. Thus, current rules actually *disincentivize* something necessary for our global competitiveness: the transition from analog circuit-switched networks to IP networks. (Emphasis in original.)

To date, Alexicon has not been privy to or is not aware of studies, statistics, or empirical evidence that proves this assertion. While this allegation may be true in price cap service areas, Alexicon asserts there is no evidence indicating rate-of-return carriers lag in the transition to IP networks because they are rate-of-return carriers and not price cap carriers. It can be argued that rural rate-of-return carriers may in fact be better positioned technologically than their bigger counter parts. Currently, USF regulation compensates companies to operate in a TDM world

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<sup>117</sup> NPRM at ¶ 6

<sup>118</sup> CALLS Order (find RCD)

<sup>119</sup> MAG Order (find)

<sup>120</sup> NPRM ¶ 160

<sup>121</sup> See NPRM Figure 7, PPI for wired Telecommunications Carriers from 2006-2010 has PPI inflation at 3.6% (US bureau of labor statistics data series ID PCU517110517110, extracted 23 Mar, 2011)

(with POTS-related IP exceptions) until such time that USF cost recovery mechanisms are implemented for an IP world. While adding broadband as a supported service will remove the restriction, it will not provide necessary funding sources for rate-of-return carriers. Alexicon has developed a comprehensive broadband-based USF model to assist in addressing this issue, explained further below.

Nowhere in the ARRA does Congress suggest that the Commission should limit the size of USF, and even the Commission's own NBP recommends expanding the base.<sup>122</sup>

**The Assumption That "Incentive Regulation" And "Reverse Auction" Will Work To Relieve Pressure From The Current USF Is Unsupported In Light Of The Commission's Estimate in 2010<sup>123</sup> That 54% Of The Service Areas Will Still Need Subsidies, And The Proposed Rules Will Certainly Cause Harm To Rural America**

Reverse Auctions Are *Still* Not A Viable Option For Determining Funding Requirements.

Alexicon asserts that the continued underlying assumption (or apparent rationale) for the Commission's consideration of reverse auctions as a method of determining high-cost universal service support is that there would be significant fund savings as compared to existing high-cost determination methodologies. There has been no previous empirical data presented in support of this assumption and in our opinion nothing new has been presented in support of this theory.

While reverse auctions may, in some other instances and circumstances, provide some type of economic benefits, there is no documented evidence that they would produce similar benefits in the determination of rate-of-return universal service support. Perhaps if there were either some beta testing, trial experiments, or related academic research (supported by real-world business plans) that provide some indication of positive economic benefit(s) in rural America without detrimental effects to customer service and the public interest, then Alexicon may be open to the further development and exploration of the concept of reverse auctions for determining USF support.

Another concern we have is that a reverse auction process, in the context of replacing existing "cost-based" recovery rules, may well lead to unfettered vastly increased bid amounts to replace

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<sup>122</sup> NBP at pp 149, 'Recommendation 8.10: The FCC should broaden the universal service contribution base.'

<sup>123</sup> NBP at 138

existing high-cost support levels. Not only would there be the potential for bidder collusion and/or possible other forms of anticompetitive behavior in the bid process, but also the auction process would lack the existing protective layers of cost development and review inherent in the current process. In addition to significant inclusionary rules being in place, there are multiple review layers in today's processes: carrier diligence/supervision/management; independent financial auditing preparation and review; the National Exchange Carrier Association ("NECA") review of submitted data; review by the Universal Service Administrative Company ("USAC"); and finally oversight by the FCC. All of this review occurs in conjunction with the acceptance of submitted company-specific and industry data. Furthermore, the existing process compensates carriers only after a threshold of investment/expense is incurred in excess of a computed "national average cost per loop." This threshold and comparative high-cost basis of recovery would be lost in an auction process and in our view would most certainly lead to increased overall high-cost USF determination in the future.

On April 10, 2007 several members of Congress submitted a letter to then Chairman Martin on the use of reverse auctions as a method to determine high cost universal service support for ETCs.<sup>124</sup> In that letter, the Congressmen noted several devastating points to the use of reverse auctions:

- "We write you today to inform you that using reverse auctions to disburse universal service funds would be a mistake that threatens to cripple the availability of reliable telecommunications services to rural Americans, and we, therefore, strongly oppose reverse auctions."
- "Our concern is that under reverse auctions the residents of Rural America will not have the same benefits to advanced telecommunications services."
- "We have serious concerns about whether quality service at reasonable and affordable rates can be assured under a reverse auction approach. The mere fact that the service

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<sup>124</sup> Letter submitted on 4-10-07, "In re Federal State Joint Board on Universal Service Request for comment on the Merits of Using Auctions to Determine High Cost Universal Service Support, WC Docket No. 05-337; CC Docket No. 96-45, signed by Lee Terry, Rick Boucher, and Chip Pickering

provision would go to the lowest bidder makes the reverse auction concept suspect in its ability to fulfill the mandate of Congress.”

- “If the quality of service available to rural residents is noticeably worse than the quality of service available to urban residents as a result of reverse auctions, then the Commission is not fulfilling its mandate.”
- “A reverse auction raises questions about predictability because support to eligible providers would be temporary. It implicates sufficiency because a reverse auction would create incentives to underbid, which could result in the underfunding of networks.”
- “Even if the Commission concludes that it has the authority to use reverse auctions for USF disbursements absent congressional direction, we oppose this approach because of the numerous problems inherent in it.”

Of note is the complete disregard by the Commission for its own stated principles, which are not merely ‘admirable’, they are a statutory mandate. 47 USC 254(b)(5) states: “There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service”. It is unclear on what basis the Commission can possibly find that an auction process is predictable. Further, it would be several years before it would be possible to determine if the results were, in fact, sufficient. We would once again point to the CLEC industry, which was funded entirely by private investment, yet nonetheless had a nearly 50% failure rate<sup>125</sup>, largely occurring between 4 and 6 years after passage of the 1996 Telecommunications Act. Note the timeframe is exactly the period for which the Commission proposes support be auctioned. As specifically noted by at least one carrier <sup>126</sup> many of these areas are currently offering a negative return, making attractive the option of either receiving sufficient support, or ‘losing’ the bid and the attendant obligations.

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<sup>125</sup> Steven Pizzo, Farbes ASAP 10 Sept, 2001 “ Over the past four years, 225 CLECs have gone bankrupt or have been absorbed by other CLECs, or, more often, by the regional Bells themselves, according to New Paradigm Resources Group.” American Journal of Business, Spring 2003, Vol 18, No1, Cecilia Wagner Ricci, “Forty-nine percent of the CLECS filed for bankruptcy between January 2000 and September 2002”  
<http://www.bsu.edu/mcobwin/majb/?p=135>

<sup>126</sup> Comments of CenturyLink, WC Docket 10-90 at p. 7

Within the proposed structure of the auctions remains the difficulty of aligning the proposed ‘auction areas’ with existing service areas, as various licensing, franchising, and certifications are needed for the various types of service providers that may compete. The proposal uses ‘census blocks’<sup>127</sup> to determine unserved areas has merit, however using those same units to determine support would have the extreme likelihood of institutionalizing ‘cherry picking’ by disaggregating the current service obligations of the incumbent.

Today telecommunications carriers are obligated to offer service throughout their service territory, which is rarely limited to, or aligned with, census blocks. The current proposal has the potential to allow a bidder to carve out the lowest cost, highest density portions of a current service area and leave the rest behind. While we are adamantly opposed to the auction process as proposed, at a minimum the bidding areas should align with or exceed the current service area of the incumbent network operator.

Based on the above concerns, Alexicon respectfully suggests that reverse auctions are not, and will not become, a viable method for the determination of high-cost USF support.

**Incentive Regulation (A.K.A. Price Cap Regulation) Is Designed To Promote Efficiencies Of Operation In A Regulated Utility By Encouraging The Utility To Increase Its Profitability Through Operating Efficiencies, However It Is Not Suitable For The Distinctive Circumstances Of The Vast Majority Of Rural Carriers**

“Incentive regulation” cannot work in most rural areas of the nation. As the Commission is aware, the National Broadband Plan concludes that private investment alone is unlikely to extend broadband in some areas of the country with low population density, particularly because service providers in these areas cannot earn enough revenue to cover the costs of deploying and operating broadband networks, including expected returns on capital, there is no business case to offer broadband services in these areas.<sup>128</sup> The NPRM and the intent contained therein is in actuality much like the current USF as it relates to funding necessary to carry out the purposes of the NBP and Telecom Act.

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<sup>127</sup> NPRM at ¶ 290

<sup>128</sup> NPRM footnote 16

It is surprising that the FCC, during a deep recession, would again<sup>129</sup> propose an untested regulatory framework that will indisputably lead to a significant loss of jobs in the heartland of the nation. “Efficiencies in operations” is a euphemism for cutbacks of labor since this is almost always the fastest and most efficient way to realize reductions in operating costs.<sup>130</sup> The NBP proposes a single model to represent the ‘average’ company necessary to impose price cap regulation. There is a tremendous disparity in scale between non-rural carriers and rural carriers, and similar disparities exist even within the subset of rural carriers. The proposed regulations would likely result in significant consolidation<sup>131</sup> in the industry in order to realize economies of scale. Such mandatory consolidation inevitably results in loss of jobs.

In the middle of the worst recession in 70 years and while other federal agencies, Congress and the Administration are working hard to reduce unemployment and put people back to work (e.g., ARRA), it should go without saying that a federal agency should not propose a regulatory framework that will indisputably lead to a significant loss of jobs in the backbone of the nation, our rural areas. Unfortunately in this case it needs to be said, loud and clear. The Labor Department’s numbers show 14,973,000 unemployed as of May, 2010.<sup>132</sup> The true number of people who are struggling “to make ends meet” without any job or are without full-time jobs is significantly larger because Labor Department statistics count only the number receiving unemployment benefits. That number does not include those who have run out of benefits, work only part-time or are underemployed.

It cannot be contested that this loss of jobs will lead to:

- Loss of population;
- Closing of small businesses;<sup>133</sup>
- Individuals, businesses, and farmers having to travel farther to get goods and services;
- Loss of tax base to support such services as police, fire and waste removal;

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<sup>129</sup> FCC 10-58, Notice of Inquiry and Notice of Proposed Rulemaking, adopted April 10, 2010

<sup>130</sup> Verizon to cut roughly 13,000 jobs in 2010. The company took a one-time \$3 billion charge in connection with the 17,000 jobs it eliminated last year posted 01/29/10, at 03:41 PM EST found at <http://www.forbes.com/2010/01/29/layoff-tracker-unemployment-leadership-careers-jobs.html>,

<sup>131</sup> Kingsbury

<sup>132</sup> US Dept of Labor - Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey - Data extracted on: June 27, 2010 (12:59:12 PM) found at <http://data.bls.gov/cgi-bin/surveymost>

<sup>133</sup> This is, of course, contrary to both the belief system and public policy of our country. See, e.g., the Small Business Administration at <http://www.sba.gov/>

- Loss of anchor institutions:
  - Closing of schools so that, for example, children would have exhausting rides to and from schools, and interaction between schools and families would be difficult; and
  - Fewer patients at hospitals and clinics would lead to closing of these facilities which would result effects on general health and the healthcare system; and
- Decline of the towns that anchor the rural service area. Such towns are generally considered very good places to raise families, and families would be forced to move to areas that are not always good places to raise children. People move to and live in small towns and rural areas because they generally want a life-style not provided for in urban and metropolitan areas.

Rural America will be devastated, in the true meaning of that word.

### **Rate-Of-Return Has Given Customers Better And Continually Improved Services Because Employees Managing And Running The Carriers Have Incentive In Rate-Of-Return Regulation To Improve Quality Of Service**

Local boards of directors and employees alike know their communities and what the community needs, and can therefore serve it better. They have a stake in the success of providing the needed services. Large telecommunications providers will have no urgent business interest in providing satisfactory service and good customer relations because their rural areas comprise such a small percentage of their entire service area. For price cap carriers, it is merely sound business practice to focus the company's efforts into areas with the largest population of customers.

### **Price Caps As Presented Will Not Work For Rural Rate-Of-Return Carriers**

Incentive regulation works almost exclusively when you have a high density population base in urban areas where costs can be spread. By redirecting the USF for rural carriers and forcing incentive regulation, there will be no means for carriers to recoup their fees other than through increased local rates, subscriber line charges, or state-specific surcharges. This contradicts the Act which requires rural rates to remain comparable to urban rates. It could well be that hundreds of companies go bankrupt, people are left with no service in rural areas, and billions of dollars of loans are defaulted on. These events will certainly not lead to savings as proposed by the NBP. In addition, the proposal to incorporate incentive regulation ultimately is at odds with the ARRA, BTOP and BIP. For example, requiring rate-of-return carriers to convert to price

caps will not only have the most certain effect of destroying small businesses but also will undoubtedly put small rate-of-return carriers out of business shortly after the BTOP and BIP programs have released hundreds of millions of dollars in grants and loans for these companies to expand broadband in their service areas.

### **There Are Significant Flaws With The Use Of Incentive Regulation In Rural Serving Local Exchange Carriers**

In 1983 and 1984, Stephen C. Littlechild proposed a regulatory methodology called price cap--or incentive regulation--to British Telecom<sup>134</sup>. Since then, price cap regulation has been used in various industries throughout the globe: electricity, water/sewage, transportation, gas, and telecommunications are many of the natural monopolies that utilize price cap regulation.

The price cap formula is calculated with firms receiving zero excess profit. If these companies are efficient, they will decrease their costs to enable excess profits (hence the name *incentive* regulation). Regulators evaluate the terms of the price cap formula at the next review period and then lower this factor if efficiencies have been effective, so that customer receive lower prices and firms receive zero excess profit. The cycle then repeats itself every three to five years. The problem with this is that a firm has the opportunity to earn excess profits for up to five years. Hence, consumers effectively pay higher prices than necessary for up to five years. A more frequent price cap formula review may solve for this--even a partial evaluation should be enough for a regulator to urge firms to reduce prices for consumers<sup>135</sup>.

A problem for consumers subjected to price cap telecommunications relates to investor dividends. Companies subject to price cap regulation must attract investors through lucrative dividends payouts. Many times, investors receive high dividends, which decreases the likelihood and/or scale of price reductions to consumers after the next price cap evaluation period<sup>136</sup>. This is

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<sup>134</sup> Littlechild, Stephen. C, Malak, Amanda. S, e-mail interviews in March 2011; Berg, Sanford. B, Blake, Michael. S "Overview of the UK Regulatory Process" University of Florida, Public Utility Research Center, found at [http://warrington.ufl.edu/purc/purcdocs/papers/9827\\_Berg\\_Overview\\_of\\_the.pdf](http://warrington.ufl.edu/purc/purcdocs/papers/9827_Berg_Overview_of_the.pdf), accessed on March 23, 2011

<sup>135</sup> Kirkpatrick, Colin. Parker, David. Zhang, Yin-Fang. "Price and Profit Regulation in Developing and Transition Economies, Methods Used and Problems Faced: A Survey of the Regulators" Centre on Regulation and Competition, Working Paper Series, Paper No. 88, University of Manchester and Cranfield University, ISBN: 1-904056-87-3, published November 2004, found at <http://ageconsearch.umn.edu/bitstream/30596/1/cr040088.pdf>, accessed on March 10, 2011

<sup>136</sup> Alexander, Ian. Irwin, Timothy. *Public Policy for the Private Sector* "Price Caps, Rate-of-return Regulation, and the Costs of Capital" The World Bank Group, Note No. 87, published September 1996, found at

a major problem that can be hard to target because there must be a balance between the well-being of firms/investors and customers. The role of investment in price cap regulation cannot be avoided and balanced solutions must be developed.

There is no doubt that price cap has worked in urban markets. Meanwhile, problems pertaining to price cap regulation arise as evidenced by the lack of broadband in the rural areas of Price Cap territories<sup>137</sup>: one size does not fit all and the formula that may work for a large company may not work for small carriers serving rural markets. Conditions unique to sparsely populated areas present special challenges. If price cap is imposed upon the entire regulated industry, it will not work. Incentive regulation is more beneficial to companies that aim at reducing costs rather than at expanding infrastructure<sup>138</sup>, which is contrary to the goals of the NBP and this NPRM.

Stephen Littlechild also questions the use of price cap regulation on small firms. If price cap regulation is used on small firms, individualized data for each firm should be calculated and enforced.<sup>139</sup> Otherwise, a simplified formula should be used for small businesses.

Incentive regulation has also continually resulted in quality of service degradation. This is likely due to efficiency incentives. Decreased expenditures frequently occur via personnel cuts. Although employees are necessary to run any business, they are also the most expensive and expendable assets. Taken to implementation, incentive regulation in rate-of-return areas could very likely teeter on violating Section 254(b)(1) of the Telecom Act.

### Market driven policies

The suggested transition to market-driven and incentive-based policies is dubious at best. On what evidence does the Commission rely to conclude that high cost rural areas of the country could support market-driven policies? The NPRM seeks comment on “Reducing the reimbursement rates for the current high-cost loop program in order to distribute funding-which

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<http://rru.worldbank.org/documents/publicpolicyjournal/087irwin.pdf> , accessed on March 23, 2011; Footnote 97 *supra*.

<sup>137</sup> September Commission Meeting, Sept. 29th, 2009, page/slide 47

<sup>138</sup> Petrov, Konstantin. “Price Regulation Methods (prepared for the European Copper Institute)” KEMA Consulting GmbH, found at <http://www.scribd.com/doc/27815885/Price-Regulation-Paper> , accessed on March 23, 2011

<sup>139</sup> Littlechild, Stephen C. *Utility Week*, “Let’s Talk” Volume 29, Issue 2, Page 2, ISBN: 1356-5532. Lexis Nexis Academic, published May 2008

has been capped since the 1990's-in a more equitable manner among rural carriers<sup>140</sup>, suggesting that “specific, predictable and sufficient”<sup>141</sup> support is no longer needed and that rural carriers can merely accomplish the stated goals of the NPRM with less support. The Commission’s contention that a “market-driven process to award support will spur high-impact broadband deployment and give the Commission and the private sector experience with a mechanism for providing consumers access to high-quality network infrastructure in an efficient manner”<sup>142</sup> is presented without fact or any measure of evidence to support it. The Commission goes on to suggest that the advent of cable and wireless Internet is a compelling reason to use competitive bidding to determine high-cost universal service support<sup>143</sup> yet both cable and wireless present unique challenges and problems for Universal Service. Simply put, wireless doesn’t work everywhere. Terrain, vegetation, structures and climate can all affect the ability for wireless services to perform properly and universally. While mobile wireless networks are an extremely important part of our country’s communications infrastructure, it should not be confused with the necessity for or capacity of fixed networks in delivering robust broadband services consistent with the principals of universal service. As for cable service, the National Cable & Telecommunications Association (NCTA) believes that an important factor for the Commission to consider in implementing any reform of high-cost support programs is the level of unsubsidized competition in the relevant service area. NCTA suggests that if unsubsidized wireline competitors offer service to more than 75 percent of the customers in an area without support that the FCC should establish a process for reducing support to ILECS and CETCs.<sup>144</sup> While this may seem laudable, this suggestion fails miserably and in fact institutionalizes “cherry picking” by allowing a carrier or cable operator to simply select areas with enough density to make the delivery of services without support possible while simultaneously ignoring those areas outside of population centers to fend for themselves. This concept defies the very principals by which Universal Service was established. It would seem prudent for any carrier that chooses to serve in rural areas be required to service ALL customers in a defined service area. So we ask: when does Universal Service not mean Universal Service?

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<sup>140</sup> NPRM ¶21

<sup>141</sup> Telecommunications Act of 1934 as amended 254(b)(5)

<sup>142</sup> NPRM, Para 25

<sup>143</sup> NPRM ¶263

<sup>144</sup> Comments filed July 10, 2010 WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 05-337 page 12

Alexicon has concerns that the Commission's policy in the current NPRM is not consistent with the Commission's policy in previous dockets<sup>145</sup> and that their policy in the current docket is also in direct conflict with the conclusion regarding the public interest that the Joint Board and Rural Task Force came to in the past dockets.<sup>146</sup>

### **“You Need Us And Here’s Why”**

What is most perplexing is the failure to recognize the necessity for wireline infrastructure equally distributed throughout the country. Too often we hear about “wireline versus wireless”, and the amount of misinformation being promulgated across the Internet and throughout the various news sources is staggering. If the United States is to remain the world leader in providing the most modernized telecommunications and broadband networks, the discussion inevitably will return to the best long-term quality solution, which as we have stated in these comments is fiber.

Although it was said before, it bears repeating that too often the discussion becomes clouded by associating wireline with voice only services. Since its invention by Alexander Graham Bell in 1876, the landline telephone has been synonymous with voice service, yet wireline has been the predominant superhighway for data/Internet services for years. At the apex of the misguided marketing onslaught, and in an incredibly irresponsible lapse in judgment, one of the largest mobile wireless providers created and aired a television commercial depicting a young woman cutting down a utility pole with the message that it was time to "cut the cord". This story fosters erroneous assumptions and incents dangerous conclusions, some of which have worked their way into this NPRM. Sadly, if wireline providers had taken them up on the offer, and "cut the cord" to every wireless cell site or base transceiver station, nearly every mobile wireless customer would have lost service across the country.

While the NPRM clearly espouses a technology neutral approach throughout the proposal, there should be no question that mobile and wired services are different. It should not be contemplated that some parts of the country should have to settle for fixed or mobile as both are important to the United States as we compete in an ever evolving world economy. It is increasingly evident

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<sup>145</sup> I.e. CC Docket No. 92-135

<sup>146</sup> FCC 07J-4 sec III D paragraph 39: “the Joint Board believes it is in the public interest to maintain, for the present, the existing RLEC support mechanisms.”

that the robust capacity of fixed networks will be vital for economic development, schools, libraries, and rural health care as well as other anchor institutions and quite frankly to support mobile networks. Empirical analysis concludes a positive relationship between broadband expansion and economic growth: "Broadband expansion causes existing businesses to expand or redistributes economic activity toward the area"<sup>147</sup>. The ubiquitous distribution of broadband has led to enhanced healthcare services, telecommuting positions, and economic growth in rural communities throughout the contiguous United States of America<sup>148</sup>.

We are not alone in this conclusion. In a February 17, 2011 article, Bloomberg Businessweek's Brendan Greely told the story of how the residents of Ten Sleep, WY, know the meaning of rural. They didn't have phone service until the 1950's, when Tri-County Telephone Assn., a municipal cooperative, used federal subsidies to string copper wire to every home. In 2005 the co-op upgraded to fiber-optic cable, giving the town's 300 residents Internet access at 20 megabits per second. For the technically unfamiliar, Tri-County Telephone's general manager describes this as "smoking fast."

Even President Barack Obama is impressed. On Feb. 10 he rolled out a national wireless plan, pointing to Ten Sleep as an example of what he wants to replicate nationally: Because of the town's high-speed fiber network, one company has been able to hire locals to teach English to Asians by video chat over the network. The author concluded that: To harness broadband Internet for job creation and economic growth, the current Administration should stress fiber networks over wireless broadband.<sup>149</sup> We couldn't agree more.

The NBP recognizes the benefits of broadband in economic development and states that broadband can expand access to jobs and training, support entrepreneurship and small business growth and strengthen community development efforts.<sup>150</sup> The benefits of broadband and its

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<sup>147</sup> Kolko, Jed "Does Broadband Boost Local Economic Development?" Public Policy Institute of California, published January 2010, quotation from page 28, found at [http://www.ppic.org/content/pubs/report/R\\_110JKR.pdf](http://www.ppic.org/content/pubs/report/R_110JKR.pdf) , accessed on March 30, 2011

<sup>148</sup> Crandall, Robert. Lehr, William. Litan, Robert. *Issues in Economic Policy*, "The Effects of Broadband Deployment on Output and Employment: A Cross-sectional Analysis of U.S. Data" The Brookings Institute, Number 6, published July 2007, quotation from page 6, found at [http://www.brookings.edu/~media/Files/rc/papers/2007/06labor\\_crandall/06labor\\_crandall.pdf](http://www.brookings.edu/~media/Files/rc/papers/2007/06labor_crandall/06labor_crandall.pdf) , accessed on April 8, 2011

<sup>149</sup> [http://www.businessweek.com/magazine/content/11\\_09/b4217033849315.htm](http://www.businessweek.com/magazine/content/11_09/b4217033849315.htm)

<sup>150</sup> NBP – Executive Summary XIV Economic Opportunities

centrality to economic life make it an essential element of local and regional economic development in the 21st century. Broadband enables regions and industries to compete globally, from rural farmers marketing their products nationwide to start-up companies along Massachusetts's Route 128 corridor achieving dramatic breakthroughs in biotechnology that are attracting global attention.<sup>151</sup>

### **Mobile Is Not The Same As Fixed**

Often confusion sets in as we count the loss of landline voice services, when in fact we should be counting "connections" to homes and businesses, connections that may support voice, data, and/or video but not necessarily all three. It should be noted that even AT&T stated that "Subscription rates have soared because consumers increasingly rely on mobile voice and broadband services, not to replace wired services, but to complete their communications portfolios."<sup>152</sup> In March of 2011, the Industry Analysis and Technology Division of the Wireline Competition Bureau released the Internet Access Services: Status as of June 30, 2010. During the first half of 2010, fixed location connections meet or exceed the availability benchmark adopted in the Sixth Broadband Deployment Report (41 million fixed connections compared to 5 million mobile subscribers).<sup>153</sup> Clearly, fixed services are meeting and exceeding the goals of the NBP and this NPRM. If the United States is to remain the world leader in providing the most modernized telecommunications and broadband networks, the discussion inevitably will return to the best long-term quality solution, which as we and many others have stated in previous comments is fiber.

As technology continues to evolve, incredible strides have allowed the country's investment in legacy copper plant to be utilized for providing broadband services. Deploying speeds up to 300 Mbps<sup>154</sup>, Ethernet over copper allows for a sensible migration to fiber in every home and business while transitioning to the arguably limitless capabilities of fiber optic cable and leveraging the imbedded capital investments. Manufacturers have invested millions of dollars in research and development that has resulted in technology that scales to fit small deployments in

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<sup>151</sup> NBP 13.4 Local and Regional Economic Development

<sup>152</sup> In the matter of Universal Service Reform Mobility Fund WT Docket No. 10-208 Comments of AT&T Inc.

<sup>153</sup> Internet Access Services: Status as of June 30, 2010, Industry Analysis and Technology Division Wireline Competition Bureau March 2011, page 1

<sup>154</sup> Alcatel-Lucent Boosts Broadband Over Copper to 300Mbps Mikael Ricknäs, IDG News Service Apr 21, 2010

sparsely populated rural areas at significantly reduced costs, thus providing even more options to assist rate-of-return carriers so as to operate in an efficient, resourceful manner. Simple corrections to outdated interconnection requirements amongst carriers of all shapes and sizes; acknowledgement of prohibitive bandwidth cost limitations; and changes in rules that will allow for the recovery of costs associated with "middle mile" connections [for not only voice but data as well] will go a long way in fixing the current data bottlenecks.

The NPRM rightly recognizes benefits and importance of both fixed and mobile networks for broadband. And while approximately half of all 911 calls today are made from mobile phones, the plan also recognizes that fixed networks are essential for mobile services, which typically depend on fixed backhaul to connect cell towers and enable mobile communications to other networks.<sup>155</sup> And while the National Broadband Plan (NBP) embraces the potential of broadband to “enhance public safety through the use of text, pictures and videos from the public and to disseminate vital information to the public during emergencies in multiple formats and languages”<sup>156</sup>, there needs to be a recognition of the still extensive use of and need for traditional 911 amongst those that are slower to adapt to advanced technologies or simply do not have the financial or technical capability. The commission should continue to embrace the benefits of technology while recognizing that all Americans are not or will not adapt advanced services in the near term. Address based 911 service is still extremely important as are the networks that support those services.

## **VIII. THE NPRM FAILS TO ADDRESS ESSENTIAL ISSUES, SOMETIMES IN DIRECT VIOLATION OF LAW**

### **The NBP Fails To Address The Digital Divide By Proposing A 4 Mbps Service As Adequate**

As Alexicon has previously commented, both the NBP and the NPRM evince a disregard for the digital divide being created (100 million homes with 100 Mbps service<sup>157</sup> and then 4 Mbps service in rural America<sup>158</sup>). Despite the flaws in this logic, which we discuss below, the NPRM has suggested lowering the target even further by setting the initial threshold for broadband to be

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<sup>155</sup> NPRM ¶4

<sup>156</sup> NBP Page 313

<sup>157</sup> NBP, pg XIV

<sup>158</sup> 4 Meg minimum speed discussed throughout the NBP

networks capable of delivering at least 3 Mbps of actual download speed and 768 Kbps of actual upload speed<sup>159</sup>. While this modification may be beneficial to some carriers working with older technology as well as wireless carriers 3G networks, it should not be the goal but rather a minimum requirement.

It should also be noted that “3/768” is consistent with technology available for many years, beginning with an early version of ADSL (asymmetric digital subscriber line) technology (1998) as well as 3G (1xEV-DO Rev.A<sup>160</sup>) a widely used wireless technology. Verizon Wireless advertises download speeds as low as 400Kbps up to 1.4Mbps with upload speeds as low as 60Kbps up to 800Kbps,<sup>161</sup> well below the capability of the technology. On June 29, 2007, Verizon Wireless announced that all of its CDMA 1x Evolution-Data Optimized (EV-DO) network nationwide has been enhanced to Revision (Rev.) A technology,<sup>162</sup> yet nearly 4 years later, this platform is delivering speeds at less than half of the specified capability.

Both copper and fiber technology have made significant strides since 1998. With ADSL2 (2002) and ADSL2+ (2003) in wide deployment and with VDSL2 (2006) gaining in popularity, carriers have the capability to deliver broadband over deployed copper at speeds up to 100Mbps<sup>163</sup>. Additionally, those companies that have incurred the costs to deploy FTTH and related transmission equipment, and thereby have the capability to provide 100 Mbps or greater service to their customers utilizing passive optical network equipment,<sup>164</sup> are going to have their support potentially redirected to other carriers that do not or cannot provide 4 Mbps or even as little as 3 Mbps service. In fact, this NPRM suggests that 768 Kbps service may be adequate for an area to be considered “served.”<sup>165</sup> By suggesting a per line cap of \$3,000<sup>166</sup>, the Commission appears to be suggesting that some Americans are just too expensive for Universal Service although this

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<sup>159</sup> NPRM ¶110

<sup>160</sup> TIA-856 Rev. A

<sup>161</sup> Verizon website, [www.verizonwireless.com](http://www.verizonwireless.com) coverage map as of March 25, 2011

<sup>162</sup> <http://www.fiercewireless.com/press-releases/verizon-wireless-100-percent-wireless-broadband-network-now-enhanced-faster-speeds>

<sup>163</sup> VDSL2 ITU G.993.2

<sup>164</sup> GPON G-984

<sup>165</sup> NPRM Footnote ¶267

<sup>166</sup> NPRM footnote ¶158

assumption does not appear to have been applied to E-Rate or Rural Health Care as evidenced by the recent USF order.<sup>167</sup>

Compounding the dilemma, engineers that design communication networks must contemplate growth in bandwidth demands. Technological changes occur rapidly. Two principles address computer power and bandwidth growth: Moore's Law is often cited when considering computer power and Nielson's Law for Internet bandwidth growth. Nielson's Law projects an annualized growth rate of 50%,<sup>168</sup> or doubling approximately every 21 months<sup>169</sup>, making it imperative that carriers design networks that are capable of growing over a period of time consistent with the anticipated life cycle of the assets being constructed, i.e. fiber strands and/or duct capacity. Small short-term savings in the name of efficiency will ultimately result in significant long-term waste of valuable capital. We are well past the point where 4Mbps or less download speeds should be considered an adequate starting point.

Neither the original "4 Meg down/1 Meg up" speeds or the alternate "3 Meg down/768 K up" meet the statutory requirements of 254(b) (3) as urban speeds today are moving toward 50-100 Mbps.<sup>170</sup> Furthermore, the proposed 4 Mbps service provides only for the path from the end-user's premises and the service provider Internet gateway that is the shortest administrative distance from that NIU.<sup>171</sup> The 'middle-mile' transport has been recognized as a significant obstacle in providing internet access.<sup>172</sup> The current NPRM does address this concern.<sup>173</sup>

While there are many factors and technical challenges with making any technology effective and useful, it should be noted that equipment is available today and is in wide deployment for some Americans, which is capable of meeting the stated goal in the NBP of 100 Mbps service<sup>174</sup>. It is imperative that new regulations do not incent companies to plan poorly by under-building networks; rather carriers should be incented to strive to meet the ultimate goal of 100 Mbps for ALL Americans, thereby meeting the definition of Universal Service.

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<sup>167</sup> FCC 10-65, Sixth Report and Order, Adopted: September 23, 2010 Released September 28, 2010

<sup>168</sup> <http://www.useit.com/alertbox/980405.html>

<sup>169</sup> [http://en.wikipedia.org/wiki/Nielsen%27s\\_Law#Contributions](http://en.wikipedia.org/wiki/Nielsen%27s_Law#Contributions)

<sup>170</sup> Comcast 50Mbps announcement – June 2009, Suddenlink 107Mbps – Mar 2010)

<sup>171</sup> National Broadband Plan, Chapter 8, footnote 2.

<sup>172</sup> QBI Technical Paper, Chapter 4 conclusions p. 122

<sup>173</sup> NPRM ¶395

<sup>174</sup> NBP, pg XIV

Verizon has recognized the need for greater bandwidth and recently announced that they will be deploying a 100G fiber backbone on select routes in the US market, ten times the capacity of a current route.<sup>175</sup> An upgrade like this wouldn't be necessary if Verizon didn't anticipate a significant increase in bandwidth demand from their client base, both commercial and residential.

### **The NPRM Fails To Specifically Address Underserved Areas**

At first this may be surprising since the FCC has long acknowledged that areas underserved with broadband constitute a serious issue that needs to be addressed.<sup>176</sup> However, because rate-of-return carriers are efficient and provide quality services to their customers, underserved areas are not a serious problem in rate-of-return carrier areas. This topic, however, is a very important problem within the rural service areas of larger urban [and price cap] service providers<sup>177</sup>. This issue is also very complex<sup>178</sup> and thus needs to be addressed thoroughly in this proposal or any similar proposal.

### **The NPRM Fails To Address The Possible Need To Amend The Act By Clarifying Jurisdictional Issues**

The NPRM fails to address jurisdiction, always a fundamental issue for the FCC. In previous studies and recommendations, there has always been a component of Intrastate jurisdiction. While Congress, the federal courts and the FCC have not finalized jurisdictional authority or boundaries on several fronts, Orders to date have placed Internet Service and Internet Access entirely in the federal jurisdiction.<sup>179</sup>

Past practice and jurisdictional decisions indicate there would no longer be a 'local' element if the NPRM were to be formally adopted as a rule. Eliminating local authority would place yet

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<sup>175</sup> <http://www.telecompetitor.com/verizon-pulls-the-100g-trigger/>

<sup>176</sup> E.g. NBP p.283 and throughout. .

<sup>177</sup> Footnote 137 above

<sup>178</sup> For example, the definition of "underserved" changes often. In fact, the definition of underserved changed between the first and second rounds of the ARRA BIP awards. American Recovery and Reinvestment Act ("ARRA"), Broadband Initiatives Program ("BIP")

<sup>179</sup> Wireline Broadband Internet Access Order, (FCC 05-150) at Paragraph 10; and Intercarrier Compensation Order(FCC 99-38) at Paragraph 23, Order On Remand (FCC 01-131) at Paragraph 58

more pressure on the USF as many States have implemented USF mechanisms to supplement capped Federal support. Merely moving the location of the funding source does not reduce the fund or the need for it.

### **In Following Prior Policy And Process, The NPRM Should Have Been Presented As A Notice of Inquiry**

The current NPRM contains 515 question marks and 743 instances of the phrase “seek comment.” The predecessor NOI/NPRM<sup>180</sup> had approximately 30 specific requests for comments. While we appreciate the Commission’s need to have a complete record in this most important proceeding, these statistics clearly indicate the current NPRM is premature and should have been properly displayed as an NOI, at least until such time as fundamental issues are resolved.

The Joint Board addressed the issue of unresolved issues and the resultant uncertainty in 2010<sup>181</sup>:

78. Furthermore, given the lack of a definition for the term “broadband” as a supported service, and how such service would be calculated and distributed, it would be extremely difficult, if not impossible, to comply with even the Commission’s *de minimis* broadband-related requests that were included in the *Referral Order*.<sup>182</sup> In fact, NASUCA points out in its comments that “it is difficult to comment on ‘broadband Lifeline’ because the details have not been fleshed out, adding further that reclassification is needed in order to ensure the legality of broadband Lifeline support.”<sup>183</sup> The sheer number of issues relevant to defining broadband creates a great deal of uncertainty. This uncertainty is a significant issue, in and of itself, because it makes it impossible to predict the impact of adding support for broadband or the recommendations for possible changes to eligibility, verification, and outreach, or to measure the impact of such changes to the overall size of the fund. However, as the Commission moves forward on the consideration of this *Recommended Decision*, the Joint Board emphasizes

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<sup>180</sup> FCC 10-58 In the Matter of Connect America Fund, A National Broadband Plan for Our Future, High-Cost Universal Service Support Adopted: April 21, 2010 Released: April 21, 2010

<sup>181</sup> In the Matter of Federal-State Joint Board on Universal Service CC Docket no. 96-45 And Lifeline and Link Up WC Docket No. 03-109, Recommended Decision, Adopted: November 3, 2010, Released: November 4, 2010.

<sup>182</sup> Footnote 191 in original reads: *2010 Referral Order*, 25 FCC Rcd at 5088, 5089, 5091, Para’s. 24, 30, 35.

<sup>183</sup> Footnote 192 in original reads: NASUCA Reply Comments at 18.

that the Commission needs to consider these broadband issues, including the various cost concepts that will be relied upon by USF policymakers, in recommending appropriate expansion of existing universal service funding to include broadband services.

The Joint Board's foresight, advice, and discussion above is arguably more relevant today as the above statements of intent could properly be extended to apply to this NPRM.

## **IX. THE NPRM, WITHOUT ANY EMPIRICAL BASIS, PROPOSES MASSIVE AND SIGNIFICANT CHANGES TO A RATE-OF-RETURN-BASED TELECOMMUNICATIONS USF SYSTEM THAT HAS WORKED AND IS WORKING TO FULFILL THE PURPOSES FOR WHICH THE SYSTEM WAS CREATED**

### **The Assumptions Related To Superiority Of Competition And Incentives In Rural Service Areas Are Based On Conjecture And Not On Proven or Empirical Data**

A model approach, even a limited approach as presented in this NPRM, cannot work in sparsely populated rural telecommunications service areas

The FCC has recognized that a 'one size fits all' approach cannot work in rural America. The Rural Task Force, established by the Commission in 1998 published 'The Rural Difference' in January 2000. This report presents some of the extreme variables encountered in rural areas.<sup>184</sup> In August of that year, the RTF published their 3<sup>rd</sup> white paper 'Alternative Mechanisms for Sizing a Universal Service Fund for Rural Telephone Companies',<sup>185</sup> in which they pointed out significant problems with both the model approach and the reverse auction. Nothing in the NPRM addresses the issues contained in that white paper.

Alexicon believes the ARRA grant process may provide relevant test data, but will take a minimum of 3-5 years to provide measurable results as this is the timeframe for deployment under ARRA. The current NPRM proposals will bankrupt rural ILECs, leaving stranded investment and actually widening the "broadband availability gap", which contradicts the goal of universal service and Section 254 of the Act.

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<sup>184</sup> Archived data from the Rural Task Force, White Paper 2, The Rural Difference found at [http://www.wutc.wa.gov/rtf/old/RTFPub\\_Backup20051020.nsf/e1b9e65978d9348b882567d2008318d3/4951d0c8d59b2d4d8825687000826423!OpenDocument](http://www.wutc.wa.gov/rtf/old/RTFPub_Backup20051020.nsf/e1b9e65978d9348b882567d2008318d3/4951d0c8d59b2d4d8825687000826423!OpenDocument)

<sup>185</sup> Archives of the Rural Task force. White paper 3, Alternative Mechanisms for Sizing: A Universal Service Fund for Rural Telephone Companies, found at [http://www.wutc.wa.gov/rtf/old/RTFPub\\_Backup20051020.nsf/43e458610b70dda882567d00074c6cd/53a531a1009c4aa48825694a0081b0fc/\\$FILE/White%20Paper%203.pdf](http://www.wutc.wa.gov/rtf/old/RTFPub_Backup20051020.nsf/43e458610b70dda882567d00074c6cd/53a531a1009c4aa48825694a0081b0fc/$FILE/White%20Paper%203.pdf)

### A cost model approach has important flaws even when applied to non-rural carriers

A cost model approach has numerous flaws even when applied to non-rural carriers, as indicated most recently in Qwest II, where local conditions and costs are far more relevant even for a very large carrier. The FCC and the States have recognized this. The recent Qwest II decision<sup>186</sup> flies in the face of the ‘one size fits all’ model concept, even as it applies to very large, primarily non-rural carriers. While arguing that the model works, the Commission nonetheless granted the relief requested.<sup>187</sup>

The Qwest II Order on Remand,<sup>188</sup> although involving a large carrier, is instructive because it shows that specific local conditions and costs are decisive even for a very large carrier. The FCC and the states<sup>189</sup> have recognized the importance of local circumstances on numerous occasions and the inherent flaws in a one-size-fits-all model.

## **X. RATE-OF-RETURN WORKS**

### “If it ain’t broke don’t fix it”

The Commission and the Joint Board have recognized, sometimes concurrently, that ‘efficient’ regulation sometimes requires some form of model and that rural carriers face widely disparate challenges in subscriber densities, topography, and socio-economic conditions, making a single model problematic. There is simply no empirical evidence supporting ‘inefficiency’ of rate-of-return regulation or with rural carriers. There is also no definition of “efficiency” as this term relates to rate-of-return carriers in sparsely populated rural areas. Alexicon is interested how the Commission, both in the NBP and NPRM, has come to the implied conclusion that “efficiency” and “high cost” are polar opposites whereby one term is contradictory to the other?? Even Congress recognizes in the Act that high cost areas are those generally known as rural and insular in nature. In addition, both the Joint Board and Commission recognize that the growth in the current USF system has become unsustainable resulting from other uses, not rate-of-return

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<sup>186</sup> FCC 10-56

<sup>187</sup> Ibid, paragraphs 3-5

<sup>188</sup> Order on Remand FCC 10-38.

<sup>189</sup> E.g., *Commonwealth Edison Co. v. Ill. Prop. Tax Appeal Bd.*, 378 Ill. App. 3d 901; 882 N.E.2d 141 (Ill. App. 2008)

carriers. In this respect, Alexicon again suggests the current system is working for rate-of-return carriers but may need modified to accommodate the deployment of broadband, of which a recommendation/option/alternative is shown further below in these comments.

As mentioned above, the fact is that ‘efficiency’ is a euphemism for lower operating costs, which is a euphemism for reductions in the labor force. If the current proposal is approved as written, jobs important to rural communities will be lost, both directly (employees of rural telecommunications companies) and indirectly (from the businesses that formerly provided goods and services to both these telecommunications companies and employees). Moreover, a proposal that will destroy jobs is contrary to the Congressional intent of ARRA<sup>190</sup> and more specifically BTOP and BIP stimulus programs.

#### Rate-of-return has given consumers increasingly better services

The current increase in rural broadband adoption has surpassed the increase in the rate of urban adoption.<sup>191</sup> In addition, companies like Frontier<sup>192</sup>, TDS, and others commence deals with non-rural carriers, knowing in many instances that rural areas of the non-rural provider’s service area are in desperate need of upgrading. As the Commission noted in its news bulletin when it approved the Frontier-Verizon transaction: “Frontier will significantly increase broadband deployment for the lines involved in this transaction, only 62 percent of which are broadband capable today.”<sup>193</sup> In the Order itself, the Commission states in footnote 56: “We recognize that carriers are generally less likely to compete in rural territories because of the high costs of reaching consumers and the relatively low potential revenues from less dense areas.”<sup>194</sup> This last statement made by the Commission begs the question: while even the Commission understands not only the high cost nature of rural areas but also understands that these areas are densely populated, how can the Commission make this statement in an Order that was released less than

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<sup>190</sup> American Recovery and Reinvestment Act of 2009, Section 3(a)(1) To preserve and create jobs and promote economic recovery

<sup>191</sup> Horrigan, John. A, Home Broadband Adoption 2009, Pew Internet & American Life Project, June 17, 2009, found at <http://www.pewinternet.org/Reports/2009/10-Home-Broadband-Adoption-2009.aspx>, accessed on June 25, 2010

<sup>192</sup> WC Docket No. 09-95, FCC 10-87, “Memorandum Opinion & Order, Applications Filed by Frontier Communications Corporation and Verizon Communications Inc. for Assignment or Transfer of Control

<sup>193</sup> FCC News Bulletin released May 21, 2010

<sup>194</sup> WC Docket No. 09-95, FCC 10-87

a year ago but make the exact opposite argument in their current NPRM related to rate-of-return regulation and rate-of-return carriers in general?

### Accountability

In the NPRM, the Commission makes the following statements: “Consistent with the Joint Statement and the Broadband Plan, the Commission plans to be guided by the following four principles, rooted in section 254, as we proceed with USF and ICC reform:

*Accountability.* Require accountability from companies receiving support, to ensure that public investments are used wisely to deliver intended results. Government must also be accountable for the administration of USF, including through clear goals and performance metrics for the program.<sup>195</sup>

Alexicon would like to take this opportunity to point out to the Commission the following list of various mandatory filings that all of our clients are required to comply with:

- Do Not Call Notifications
- Form 473
- Form 474
- Form 497
- COCOT Reporting
- Carrier Identification Code report
- Form 502
- Form 499Q
- Form 499A
- CPNI certifications
- Form 477
- Form 507
- Form 508
- International Circuit Status report
- Form 395
- Lifeline/LinkUp
- ICLS Use Certification

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<sup>195</sup> NPRM, Para 10

- International Traffic Report
- Form 502
- Universal Service Support certification
- Form 509

Many of the above reports are required to be submitted quarterly, semi-annually, and otherwise multiple times per year. Furthermore, Alexicon's clients are required to file numerous reports with NECA, USAC, RUS, State Public Utility Commissions, and others. Lastly, Alexicon would like to submit to the Commission that there are multiple layers of review, audit, and attestation that our clients must go through annually. Much of the data available and submitted for these reviews can be found on USAC and NECA websites.<sup>196</sup> With this we suggest that, per the above, our clients and rate-of-return carriers in general are held accountable, thus currently assisting the Commission with one of its four principles. While it's true that USAC and OIG audits have indicated some lapse in accountability in the high cost program from time to time, we again fall back that "one size does not fit all" and those circumstances should be dealt with on a one-on-one basis, not generalized to the entire rate-of-return industry. One question with all of this remains: exactly where is the accountability for non-rural/price cap carriers as it pertains to high cost funding? Let's take this example: Figure 2 contained in the current NPRM indicates that between High Cost Model support and Interstate Access Support, none of which rate-of-return carriers receive, total funding levels are \$855Million. It's evident from the summary information and analysis above in this document that rate-of-return carriers are held responsible for USF monies they receive. It therefore suggests to us, especially in light of information contained in reference to Footnote 121 above where the referenced slide states, "...most..rural America..non-upgraded [broadband] lines are owned by AT&T, Verizon, and Qwest (82%)," that some non-rural carriers neither use USF monies for the purpose intended nor deploy networks to include advanced services/broadband in their rural areas.

### Reporting Requirements

As many small carriers have limited staff, and are thus not only operating efficiently but also cost-effectively, Alexicon would like to address the Commission's request in the NPRM: "We also seek comment on reducing or suspending universal support payments for non-compliance

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<sup>196</sup> [www.usac.org](http://www.usac.org); [www.neca.org](http://www.neca.org)

with reporting requirements. For example, should universal service support be suspended immediately if a recipient fails to submit the required information and not restored until such information is submitted?”<sup>197</sup> Alexicon most certainly understands the need for accountability, as presented above, but also suggests a balance needs to be met with inadvertent non-compliance due to the complexity of the Commission’s rules. In this regard, Alexicon recommends the Commission should institute fines or penalties for those companies that unintentionally miss a filing deadline, are quick to respond, etc. and that these penalties or fines should be similar to other governmental agencies.<sup>198</sup> For example, the Internal Revenue Service states, “The penalties for filing and paying late may be abated if you have reasonable cause and the failure was not due to willful neglect.”<sup>199</sup> Alexicon recommends the Commission adopt similar procedures for small carriers who otherwise have limited resources<sup>200</sup> and therefore unconsciously may miss a filing deadline on occasion. In some cases, suspending or reducing universal service payments for inadvertent non-compliance may cause “the smallest of small”<sup>201</sup> carriers monetary hardship to the point of questionable financial viability.

### Safety Valve Support

Throughout this NPRM, the Commission goes to great lengths verbalizing the necessity to transition away from a circuit-switched/legacy PSTN to an IP-based network platform capable of providing ubiquitous broadband deployment. The Commission also agrees that incentives are necessary to carry out this plan.<sup>202</sup> Alexicon agrees with this principle and overriding theme. It would therefore seem counter-productive, in carrying out the Commission’s goals, to contemplate any forward-looking legislation that considers removal of funding when a rate-of-return ILEC acquires rural properties from a price cap company that have been neglected for years and possibly decades. The record is long and clear that rural areas in price cap or non-rural territories is scantily served.<sup>203</sup> It goes without saying that the “parent trap” rule, or Safety Valve

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<sup>197</sup> NPRM, Para 466

<sup>198</sup> Internal Revenue Service, for example. See <http://www.irs.gov/taxtopics/tc653.html>

<sup>199</sup> Ibid

<sup>200</sup> Alexicon currently has clients with 4 employees and 6 employees, respectively, operating their entire companies

<sup>201</sup> Using second quarter 2011 information summarized by USAC on their website, Alexicon notes there are 910 companies that are less than 5,000 access lines and an additional 186 companies that are between 5,000 and 10,000 access lines in size

<sup>202</sup> NPRM, Para 10, 11, 14, among others

<sup>203</sup> See footnote 137, 177 above, for example

Support (“SVS”), has been helpful in assisting small ILECs to upgrade these neglected areas after acquiring them. The Commission, in keeping focused on the necessity of upgrading basic and advanced services in rural areas of price cap territories, provided an incentive via Section 54.305 to allow USF funding when rural ILECs purchased rural telecom properties from price cap companies for the purpose of upgrading those properties and growing their footprint. With the NPRM, Alexicon is now unclear to the Commission’s intent for future SVS. The Commission makes the following statement in the NPRM: “We seek input from our federal and state partners and Tribal governments on how best to coordinate efforts to ensure that all Americans have access to modern communications networks so that we can continue to work together to build on the past success of universal service.”<sup>204</sup> The Commission then also states: “However, if the applicability of section 54.305 is eliminated for any carrier, that carrier would no longer eligible for safety valve support.”<sup>205</sup> Does this mean carriers that have 1) upgraded facilities in accordance with the Commission’s previous and current rule enforcement; and 2) carried out the Commission’s goal per the underlined notation above now are ineligible for SVS funding if “...the study area waiver order was adopted five or more years ago and when a certain minimum percentage of the acquired lines, e.g., 30%, are unserved by 768 kbps broadband...”<sup>206</sup>

Alexicon respectfully requests clarification of the proposed intent as the NPRM is somewhat ambiguous to the issue of SVS.

Furthermore, Alexicon would like to remind the Commission that rural carriers investing in exchanges and telecom properties subject to SVS likely have outstanding loan obligations associated with these properties, of which financiers relied upon SVS funding to assist these rural carriers in meeting debt obligations. Moreover, ongoing upgrading and maintenance of these properties is undoubtedly necessary, with these operating costs currently eligible for SVS assuming all other criteria are met. The Commission should therefore be mindful, in keeping with their intent throughout this NPRM, that SVS is still a critical component to the viability of business plans originally developed for these purposes.

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<sup>204</sup> NPRM, Para 13

<sup>205</sup> NPRM, Para 226

<sup>206</sup> Ibid

To continue the Commission's efforts, Alexicon would like to further suggest that rural carriers opting to meet the goals stated in the NBP and NPRM be incentivized by allowing funding when acquiring non-rural telecom properties. In this regard, Alexicon recommends replacing the 54.305 proposed rule [contained in Appendix A of the current NPRM] with the following language:

"Five years after approval of the relevant study area waiver for the sale or transfer of exchanges, and if the current carrier has an un-served household rate of less than 30%, as indicated on the National Telecommunications and Information Administration's broadband map and/or the Commission's Form 477 data collection, the limitations imposed under previous Section 54.305 rules will no longer be applicable, and as such Safety Valve Support recipients will be eligible for funding mirroring current high cost loop funding."

#### NPRM Appendix D

Paragraphs 5 and 6 of the NPRM state:

5. The carrier contribution,  $C$ , in equation (1) reflects a component of the maximum interstate CAF component payment that a carrier is expected to finance with the revenue it derives from the sale of non-regulated services (if any). So as not to diminish a carrier's incentive to generate nonregulated revenue, the carrier contribution,  $C$ , identified in equation (1) and defined in equation (2) might not reflect the non-regulated revenue actually secured by an individual carrier. Instead, it could reflect a fraction of the revenue that all carriers derive from the sale of non-regulated services, on average.
6. The total revenue from non-regulated services that a carrier might be expected to contribute to offset any reduction in its revenue resulting from intercarrier compensation reform is divided between an interstate and an intrastate contribution. As equation (2) indicates,  $\alpha_n$  is the fraction of the total non-regulated revenue contribution ( $f_n r_n L_1$ ) that is assigned to the maximum interstate CAF component payment.  $\alpha_n$  might be set at 0.25, for example, to be roughly consistent with the prevailing standard separation of loop costs between interstate and intrastate operations.

Alexicon finds this “possible framework for calculating payments from a CAF component that a carrier theoretically could receive to offset, as desired, lost interstate or intrastate switched access revenues in a simple setting”<sup>207</sup> extremely troublesome. The Commission has a long, clear record of segregating Title I and Title II costs, revenues, and related business models. Indeed, *the Commission’s own current rules* state, “A telecommunications carrier may not use services that are not competitive to subsidize services subject to competition. Services included in the definition of universal service shall bear no more than a reasonable share of the joint and common costs of facilities used to provide those services.”<sup>208</sup> Alexicon believes CFR Part 64 gives clear guidance and direction to specifically *not* do what the FCC is proposing in Appendix D of the current NPRM.

#### Rate-of-return has given consumers increasingly better services

The current increase in rural broadband adoption has surpassed the increase in the rate of urban adoption.<sup>209</sup> In addition, companies like Frontier<sup>210</sup>, TDS, and others commence deals with non-rural carriers, knowing in many instances that rural areas of the non-rural provider’s service area are in desperate need of upgrading. As the Commission noted in its news bulletin when it approved the Frontier-Verizon transaction: “Frontier will significantly increase broadband deployment for the lines involved in this transaction, only 62 percent of which are broadband capable today.”<sup>211</sup> In the Order itself, the Commission states in footnote 56: “We recognize that carriers are generally less likely to compete in rural territories because of the high costs of reaching consumers and the relatively low potential revenues from less dense areas.”<sup>212</sup> This last statement made by the Commission begs the question: while even the Commission understands not only the high cost nature of rural areas but also understands that these areas are densely populated, how can the Commission make this statement in an Order that was released less than

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<sup>207</sup> NPRM Appendix D, Para 1

<sup>208</sup> CFR Part 64.901( c)

<sup>209</sup> Horrigan, John. A, Home Broadband Adoption 2009, Pew Internet & American Life Project, June 17, 2009, found at <http://www.pewinternet.org/Reports/2009/10-Home-Broadband-Adoption-2009.aspx> , accessed on June 25, 2010

<sup>210</sup> WC Docket No. 09-95, FCC 10-87, “Memorandum Opinion & Order, Applications Filed by Frontier Communications Corporation and Verizon Communications Inc. for Assignment or Transfer of Control

<sup>211</sup> FCC News Bulletin released May 21, 2010

<sup>212</sup> WC Docket No. 09-95, FCC 10-87

a year ago but make the exact opposite argument in their current NPRM related to rate-of-return regulation and rate-of-return carriers in general?

## **XII. TRIBAL CONSIDERATIONS**

### **As The NPRM Recognizes, The Unique Circumstances Of Each Tribal Nation Require Consideration**

In this proceeding, the Commission asks for input on many issues important to Tribal Nations. We believe it is important to address Tribal Nations as a critical and interlaced segment of the Nation's telecommunications network and speak to the fact that they indeed have unique circumstances that need addressed.

The Commission has noted, in its own language, that the “current system of high cost support has achieved considerable success, helping ensure access to affordable, voice services in all regions of the nation”<sup>213</sup>. What needs to be clearly stated is that the current high cost programs and associated mechanisms provide for last mile connectivity, including FTTH deployment (high cost loop USF and ICLS USF) and Local Switching Support (i.e. soft switches). In general, most of Alexicon's clients have 80% to 95% of their entire Cable & Wire Facility network in last mile-type plant. Based on FCC data and various publicly available documents, the penetration rate in Indian Country is still well below the national level. The current system provides for very necessary emergency response public safety considerations as well as basic service for Tribal customers, and is therefore still very pertinent and relevant.

If the FCC enforces the current NBP as written, there will be a considerable amount of underfunding at the rural ILEC level. This means that local rates will need to be raised; state rates will need to be raised; financing companies like RUS, CoBank, RTFC, etc. may not get repaid; jobs will be lost in rural America; and network infrastructure will not continue to get built out. This specifically goes against Section 254 of the Act regarding “affordability” of rates and puts local consumer rates at risk. More importantly for Tribal entities is that this will put more pressure on Lifeline customers in Indian Country due to increased state and local costs and will delay getting

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<sup>213</sup> FCC 10-58, Notice of Inquiry and Notice of Proposed Rulemaking, adopted April 10, 2010 at ¶ 3

those customers hooked up to even basic service due to lack of resources incurred by the Tribal ILEC.

Since the majority of a Tribal carrier's customers (and those customers living on Indian lands in general) are Lifeline-eligible, this is very concerning due to the lack of attention this specific issue is getting with the current NPRM. In addition, if the FCC enforces the NBP as written/contemplated, there will be increased costs to Tribal ILECs to transition to and provide SIP services for customer premise equipment and basic hook up. Furthermore, 911 and public emergency considerations come into play since SIP service is currently substandard to current TDM/POTS service for public safety and 911 reasons. Overall, Lifeline/LinkUp considerations are arguably the single most concern to Tribal ILECs and those customers living on Tribal lands, and Alexicon notes there are currently no specifics about how this issue will be addressed, calculated, or treated in the CAF.

Lastly, Alexicon believes the NPRM properly addresses recognition of and definitions for "Tribal Lands" with the following exception: Tribal lands are typically in geographically isolated locations where small pockets of Native American groups are served. For those reasons, the costs associated with delivering both basic and broadband services to those areas are very high. In this respect, Alexicon believes it would be appropriate to include American Indians, Alaska Natives, and Native Hawaiians in consideration of the NBP as well as this current NPRM. As with all Tribal Nations, the goal is to make broadband services available at affordable rates and therefore achieve higher penetrations levels for these native groups.

### **XIII: SUMMARY OF EXHIBITS**

To help streamline these comments, Alexicon presents the following Exhibits as an integral part of these comments:

- Exhibit A: This exhibit summarizes Alexicon's Broadband Loop Cost Algorithm
- Exhibit B: This exhibit summarizes Alexicon's Data Broadband Loop Cost Data Collection instructions
- Exhibit C: This exhibit includes the results of Alexicon's broadband-based USF analysis calculated for a group of sample companies. The purpose of this schedule is to show the Commission that not only can results be calculated and developed expeditiously, but also

that the current USF high cost loop algorithm can be modified to accommodate the Commission's long term vision and goals

- *Exhibit D*: This exhibit summarizes the impact of the rules proposed in Appendix A of the NPRM for each of Alexicon's clients. Another summary is also included that presents the average impact of the Appendix A proposals for all of Alexicon's clients. Lastly, a third summary is included that is an accumulation of all of Alexicon's clients and thus represents the combined impact to our entire client base. Assumptions are properly included on the schedules stating how Alexicon derived the NACPL used in calculating HCL support; Corporate Expense Phase out; LSS phase out; and High Cost Loop "55%/65%" adjustments noted in the NPRM and Appendix A
- *Exhibit E*: This exhibit represents an analysis of critical metrics used in our industry (and the financial community in general) showing what will happen to those metrics over six years if the NPRM proposals are implemented. Assumptions are properly included in the analysis
- *Exhibit F*: This exhibit is a summary compilation of Alexicon's recommendations that are explained in more detail throughout these comments. This summary succinctly addresses issues and recommendations Alexicon believes will assist in meeting the Commission's goals

## CONCLUSION

Alexicon sincerely appreciates the opportunity to submit these comments in this most important proceeding. Alexicon applauds the Commission in its quest and agrees that broadband deployment should be the cornerstone of future telecommunications in all areas of the United States. Creating a stable, predictable, and sufficient financial model for rate-of-return carriers to assist the Commission with its long term goal of national broadband deployment<sup>214</sup> under the auspices contained in the NBP will undoubtedly push the United States to the top of world leaders in broadband deployment.

**Respectfully submitted,**

**Alexicon Telecommunications Consulting**

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**Colorado Springs, CO 80920**

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<sup>214</sup> NPRM Para's 3 and 4, generally

**Broadband High Cost Loop Fund  
Loop Cost and Expense Adjustment Algorithms**

**EXHIBIT A**

**COST COMPANY BROADBAND LOOP COST ALGORITHM**

<b>Line</b>	<b>Formula</b>	<b>Description</b>
1.	$(DL255 * (DL710/DL700)) + DL820$	Cable & Wire Facilities plus C&WF portion of Capital Leases assigned to Category 1
1a.	$(DL255 * (DL720/DL700)) + DL821$	Cable & Wire Facilities plus C&WF portion of Capital Leases assigned to Category 2
2.	$DL250 + DL810$	Central Office Equipment plus COE portion of Capital leases assigned to Category 4.13
2a.	$DL285+DL290 +DL811+DL812$	Central Office Equipment plus COE portion of Capital leases assigned to Category 4.11 and Category 4.22
3.	$AL1/(DL255 + DL815)$	"A" Factor Cable & Wire Facilities. C&WF Category 1 divided by Total C&WF
3a.	$AL1a/(DL255 + DL815)$	"A2" Factor Cable & Wire Facilities. C&WF Category 2 divided by Total C&WF
4.	$AL2/(DL230 + DL235 + DL240 + DL805)$	"B" Factor Central Office Equipment. COE Category 4.13 divided by Total COE
4a.	$AL2a/(DL230 + DL235 + DL240 + DL805)$	"B2" Factor Central Office Equipment. COE Categories 4.11 & 4.22 divided by Total COE
5.	$AL1/DL160$	"C" Factor Cable & Wire Facilities Category 1(Gross Allocator) C&WF Category 1 divided by Total Plant in Service
5a.	$AL1a/DL160$	"C2" Factor Cable & Wire Facilities Category 2 (Gross Allocator) C&WF Category 2 divided by Total Plant in Service
6.	$AL2/DL160$	"D" Factor Central Office Equipment Category 4.13 (Gross Allocator) COE Category 4.13 divided by Total Plant In Service
6a.	$AL2a/DL160$	"D2" Factor Central Office Equipment Categories 4.11 & 4.22 (Gross Allocator) COE Categories 4.11 & 4.22 divided by Total Plant In Service

**Broadband High Cost Loop Fund  
Loop Cost and Expense Adjustment Algorithms**

**EXHIBIT A**

<b>Line</b>	<b>Formula</b>	<b>Description</b>
7.	$AL5 * DL170$	Materials & Supplies assigned to Cable & Wire Facilities Category 1
7a.	$AL5a * DL170$	Materials & Supplies assigned to Cable & Wire Facilities Category 2
8.	$AL6 * DL170$	Material & Supplies assigned to Central Office Equipment Category 4.13
8a.	$AL6a * DL170$	Material & Supplies assigned to Central Office Equipment Categories 4.11 & 4.22
9.	$AL3 * ((DL280 + DL330) + (DL815/DL800) * DL195)$	Accumulated Depreciation plus Accumulated Amortization plus Net Noncurrent Deferred Operating Income Taxes assigned to C&WF Category 1
9a.	$AL3a * ((DL280 + DL330) + (DL815/DL800) * DL195)$	Accumulated Depreciation plus Accumulated Amortization plus Net Noncurrent Deferred Operating Income Taxes assigned to C&WF Category 2
10.	$AL4 * ((DL260 + DL265 + DL270 + DL310 + DL315 + DL320) + (DL805/DL800) * DL195)$	Accumulated Depreciation plus Accumulated Amortization plus Net Noncurrent Deferred Operating Income Taxes assigned COE Category 4.13
10a.	$AL4a * ((DL260 + DL265 + DL270 + DL310 + DL315 + DL320) + (DL805/DL800) * DL195)$	Accumulated Depreciation plus Accumulated Amortization plus Net Noncurrent Deferred Operating Income Taxes assigned COE Categories 4.11 & 4.22
11.	[Reserved]	
12.	[Reserved]	
13.	$AL3 * (DL430 - DL435 - DL440)$	Cable & Wire Facilities Maintenance Expense assigned to Category 1
13a.	$AL3a * (DL430 - DL435 - DL440)$	Cable & Wire Facilities Maintenance Expense assigned to Category 2
14.	$AL4 * (DL365 + DL380 + DL395 - DL370 - DL375 - DL385 - DL390 - DL400 - DL405)$	Central Office Equipment Maintenance Expense assigned to Category 4.13
14a.	$AL4a * (DL365 + DL380 + DL395 - DL370 - DL375 - DL385 - DL390 - DL400 - DL405)$	Central Office Equipment Maintenance Expense assigned to Categories 4.11 & 4.22

**Broadband High Cost Loop Fund  
Loop Cost and Expense Adjustment Algorithms**

**EXHIBIT A**

<b>Line</b>	<b>Formula</b>	<b>Description</b>
15.	$(AL5 + AL6) * (DL335 + DL350 - DL340 - DL345 - DL355 - DL360)$	Network Support Expenses plus General Support Expenses assigned to C&WF Category 1 and COE Category 4.13
15a.	$(AL5a + AL6a) * (DL335 + DL350 - DL340 - DL345 - DL355 - DL360)$	Network Support Expenses plus General Support Expenses assigned to C&WF Category 2 and COE Categories 4.11 & 4.22
16.	$(AL5 + AL6) * (L450 - L455)$	Network Operations Expenses assigned to C&WF Category 1 and COE Category 4.13
16a.	$(AL5a + AL6a) * (L450 - L455)$	Network Operations Expenses assigned to C&WF Category 2 and COE Categories 4.11 & 4.22
17.	$AL3 * (DL530 + ((DL815/DL800) * DL830))$	Depreciation and Amortization Expense assigned to C&WF Category 1
17a.	$AL3a * (DL530 + ((DL815/DL800) * DL830))$	Depreciation and Amortization Expense assigned to C&WF Category 2
18.	$AL4 * ((DL510 + DL515 + DL520) + ((DL805/DL800) * DL830))$	Depreciation and Amortization Expense assigned to COE Category 4.13
18a.	$AL4a * ((DL510 + DL515 + DL520) + ((DL805/DL800) * DL830))$	Depreciation and Amortization Expense assigned to COE Categories 4.11 & 4.22
19.	$(AL5 + AL6) * (DL535 + DL550)$ (Adjusted for Corporate Operations Expense Limitation)	Corporate Operations Expense assigned to C&WF Category 1 and COE Category 4.13, limited in accordance with §36.621(a)(4)
19a.	$(AL5a + AL6a) * (DL535 + DL550)$ (Adjusted for Corporate Operations Expense Limitation)	Corporate Operations Expense assigned to C&WF Category 2 and COE Categories 4.11 & 4.22, limited in accordance with §36.621(a)(4)
20.	$(AL5 + AL6) * DL650$	Operating Taxes assigned to C&WF Category 1 and COE Category 4.13
20a.	$(AL5a + AL6a) * DL650$	Operating Taxes assigned to C&WF Category 2 and COE Categories 4.11 & 4.22
21.	$(AL5 + AL6) * (DL600 - DL540 - DL555)$	Benefits other than Corporate Operations Expense assigned to C&WF Category 1 and COE Category 4.13
21a.	$(AL5a + AL6a) * (DL600 - DL540 - DL555)$	Benefits other than Corporate Operations Expense assigned to C&WF Category 2 and COE Categories 4.11 & 4.22

**Broadband High Cost Loop Fund  
Loop Cost and Expense Adjustment Algorithms**

**EXHIBIT A**

<b>Line</b>	<b>Formula</b>	<b>Description</b>
22.	$(AL5 + AL6) * DL610$	Rents assigned to C&WF Category 1 and COE Category 4.13
22a.	$(AL5 + AL6) * DL610$	Rents assigned to C&WF Category 2 and COE Categories 4.11 & 4.22
23.	$(AL1 + AL7 - AL9) * 0.1125$	Return Component for C&WF Category 1
23a.	$(AL1a + AL7a - AL9a) * 0.1125$	Return Component for C&WF Category 2
24.	$(AL2 + AL8 - AL10) * 0.1125$	Return Component for COE Category 4.13
24a.	$(AL2 + AL8 - AL10) * 0.1125$	Return Component for COE Categories 4.11 & 4.22
25.	Sum of AL13 thru AL24	Total Broadband Unseparated Costs
26.	$AL25/DL060$	Study Area Broadband Cost per Loop (SABCL)

**Broadband High Cost Loop Fund  
Loop Cost and Expense Adjustment Algorithms**

**EXHIBIT A**

**NATIONAL AVERAGE BROADBAND COST PER LOOP (NABCL) ALGORITHM**

- **Cost Study Area Broadband Unseparated Costs =**

Total Broadband Unseparated Costs \* (Study Area USF Loops / Study Area Total Loops)

- **Nationwide Broadband Unseparated Costs =**

Sum of Cost Study Area Broadband Unseparated Costs  
+ Sum of Average Schedule Study Area Broadband Unseparated Costs

- **National Average Broadband Cost Per Loop (NABCL) =**

(Nationwide Broadband Unseparated Costs) / (Nationwide USF Loops)

**Broadband High Cost Loop Fund  
Loop Cost and Expense Adjustment Algorithms**

**EXHIBIT A**

**EXPENSE ADJUSTMENT ALGORITHM**

**Study Areas Reporting 200,000 or Fewer Loops**

- In excess of 115% NABCL, but not greater than 150% NABCL, 65% SABCL x USF Loops
- In excess of 150% NABCL, 75% SABCL x USF Loops

**Study Areas Reporting More Than 200,000 Loops**

- In excess of 115% NABCL, but not greater than 160% NABCL, 10% SABCL x USF Loops
- In excess of 160% NABCL, but not greater than 200% NABCL, 30% SABCL x USF Loops
- In excess of 200% NABCL, but not greater than 250% NABCL, 60% SABCL x USF Loops
- In excess of 250% NABCL, 75% SABCL x USF Loops

**Broadband High Cost Loop Fund  
Loop Cost and Expense Adjustment Algorithms**

**EXHIBIT A**

**BROADBAND HIGH COST LOOP RECOVERY ADJUSTMENT**

- **Interstate Categories Unseparated Costs =**

Sum of 13a, 14a, 15a, 16a, 17a, 18a, 19a, 20a, 21a, 22a, 23a, 24a

Note: Sum of Unseparated Broadband Costs attributed to CWF Category 2 and  
COE Categories 4.11 & 4.22

- **Interstate Categories Broadband Cost per Loop =** Interstate Categories Unseparated Costs / USF Loops

- **Percentage of SABCL attributed to Interstate Categories =**

Interstate Categories Broadband Cost per Loop / SABCL

- **Broadband High Cost Loop Recovery Adjustment =**

Percentage of SABCL attributed to Interstate Categories

x Total Broadband HCL Support per Loop

x USF Loops

**I. EXCHANGE CARRIER/DATA IDENTIFICATION**

- (010) Exchange Carrier Study Area Code.
- (020) Contact Name: Person to contact for questions about this data.
- (030) Contact Telephone Number: Number of the person identified in Data Line (020).
- (040) Data Collection Period.

**II. WORKING LOOPS**

Working loops reported for USF must be as of the end-of-period identified on Data Line (040).

- (060) Total Loops: Enter the count of total Loops defined as Exchange Line Cable and Wire Facilities Subcategories 1.1 through 1.3. [Part 36.154 (a)]
- (070) Category 1.3 Loops: Enter the count of Category 1.3 Loops excluding Category 1.3 TWX (Teletypewriter Exchange service) loops. [Part 36.154 (a)]

**III. INVESTMENT, PLANT OPERATIONS EXPENSE AND TAXES**

**Net Plant Investment**

- (160) Account 2001 - Telecommunication Plant in Service  
[Part 32.2001]
- (170) Account 1220 - Material and Supplies  
[Part 32.1220]
- (190) Account 3100 - Accumulated Depreciation  
[Part 32.3100]
- (195) Account 3400 - Accumulated Amortization - Tangible  
[Part 32.3400]
- (210) Account 4340 - Net Non-current Deferred Operating Income Taxes  
[Part 32.4340]

Note: Net Non-current Deferred Operating Income Taxes associated with the use of accelerated depreciation should be included in the amount reported for Account 4340 in the USF data collection.

- (220) Net Plant Investment -  
Sum of Data Lines (160) + (170) minus Data Lines (190) through (210)

**Selected Plant Accounts**

- (230) Account 2210 - Central Office Switching Equipment  
[Part 32.2210]
- (235) Account 2220 - Operator System Equipment  
[Part 32.2220]
- (240) Account 2230 - Central Office Transmission Equipment  
[Part 32.2230]
- (245) Total Central Office Equipment  
Sum of Data Lines (230) through (240)
- (250) Circuit Equipment - Category 4.13  
[Part 36.126]  
Enter the investment in Central Office Equipment Category 4.13 including power and common equipment. Development of this amount must be consistent with Responsible Accounting Officer Letter 21, dated September 8, 1992.
- (255) Account 2410 - Cable and Wire Facilities - Total  
[Part 32.2410]
- (260) Account 3100 (2210) - Accumulated Depreciation - Central Office Switching Equipment  
[Part 32.3100]
- (265) Account 3100 (2220) Accumulated Depreciation - Operator System Equipment  
[Part 32.3100]
- (270) Account 3100 (2230) - Accumulated Depreciation - Central Office Transmission Equipment  
[Part 32.3100]
- (275) Account 3100 (2210 through 2230) - Total Accumulated Depreciation - Central Office Equipment  
Sum of Data Lines (260) through (270)
- (280) Account 3100 (2410) - Accumulated Depreciation - Cable and Wire Facilities  
[Part 32.3100]

**Selected Plant Accounts - continued**

**(285) Circuit Equipment - Category 4.11 Wideband Exchange Line Circuit Equipment - Interstate**

**[Part 36.126 (b) (1) (i)]**

Enter the investment in Central Office Equipment Category 4.11 including power and common equipment allocated or assigned to the Interstate jurisdiction.

**(290) Circuit Equipment - Category 4.22 Interexchange Circuit Equipment Used for Wideband Services including Satellite and Earth Station Equipment used for Wideband Service - Interstate**

**[Part 36.126 (b) (2) (ii)]**

Enter the investment in Central Office Equipment Category 4.22 including power and common equipment allocated or assigned to the Interstate jurisdiction.

**(310) Account 4340 (2210) - Net Non-current Deferred Operating Income Taxes - Central Office Switching Equipment**

**[Part 32.4340]**

**(315) Account 4340 (2220) - Net Non-current Deferred Operating Income Taxes - Operator System Equipment**

**[Part 32.4340]**

**(320) Account 4340 (2230) - Net Non-current Deferred Operating Income Taxes - Central Office Transmission Equipment**

**[Part 32.4340]**

**(325) Account 4340 (2210 through 2230) - Net Non-current Deferred Operating Income Taxes - Central Office Equipment  
Sum of Data Lines (310) through (320)**

**(330) Account 4340 (2410) - Net Non-current Deferred Operating Income Taxes - Cable and Wire Facilities**

**[Part 32.4340]**

**Plant Specific Operations Expense**

**(335) Account 6110 - Network Support Expense - Total**

**[Part 32.6110]**

**(340) Account 6110 - Benefits - Network Support Expense**  
The amount of Benefits included in Account 6110

**(345) Account 6110 - Rents - Network Support Expense**  
The amount of Rents included in Account 6110

**Plant Specific Operations Expense - continued**

- (350) Account 6120 - General Support Expense - Total  
[Part 32.6120]
- (355) Account 6120 - Benefits - General Support Expense  
The amount of Benefits included in Account 6120
- (360) Account 6120 - Rents - General Support Expense  
The amount of Rents included in Account 6120
- (365) Account 6210 - Central Office Switching Expense - Total  
[Part 32.6210]
- (370) Account 6210 - Benefits - Central Office Switching Expense  
The amount of Benefits included in Account 6210
- (375) Account 6210 - Rents - Central Office Switching Expense  
The amount of Rents included in Account 6210
- (380) Account 6220 - Operator Systems Expense - Total  
[Part 32.6220]
- (385) Account 6220 - Benefits - Operator Systems Expense  
The amount of Benefits included in Account 6220
- (390) Account 6220 - Rents - Operator Systems Expense  
The amount of Rents included in Account 6220
- (395) Account 6230 - Central Office Transmission Expense - Total  
[Part 32.6230]
- (400) Account 6230 - Benefits - Central Office Transmission Expense  
The amount of Benefits included in Account 6230
- (405) Account 6230 - Rents - Central Office Transmission Expense  
The amount of Rents included in Account 6230
- (410) Accounts 6210-6230 - Central Office Expense - Total  
Sum of Data Lines (365) + (380) + (395)
- (430) Account 6410 - Cable and Wire Facilities Expense - Total  
[Part 32.6410]

**Plant Specific Operations Expense – continued**

(435) Account 6410 - Benefits - Cable and Wire Facilities Expense  
The amount of Benefits included in Account 6410

(440) Account 6410 - Rents - Cable and Wire Facilities Expense  
The amount of Rents included in Account 6410

(445) Total Plant Specific Expense -  
Sum of Data Lines (335) + (350) + (365) + (380) + (395) + (430)

**Plant Nonspecific Operations Expense**

(450) Account 6530 - Network Operations Expense - Total  
[Part 32.6530]

(455) Account 6530 - Benefits - Network Operations Expense  
The amount of Benefits included in Account 6530

**Depreciation and Amortization Expense**

(510) Account 6560 (2210) - Depreciation and Amortization Expense -  
Central Office Switching Equipment  
[Part 32.6560]

(515) Account 6560 (2220) - Depreciation and Amortization Expense -  
Operator System Equipment  
[Part 32.6560]

(520) Account 6560 (2230) - Depreciation and Amortization Expense -  
Central Office Transmission Equipment  
[Part 32.6560]

(525) Account 6560 (2210 through 2230) - Depreciation and Amortization -  
Central Office Equipment  
Sum of Data Lines (510) through (520)

(530) Account 6560 (2410) - Depreciation and Amortization Expense -  
Cable and Wire Facilities  
[Part 32.6560]

**Corporate Operations Expense**

(535) Account 6710 - Executive and Planning Expense - Total  
[Part 32.6710]

(540) Account 6710 - Benefits - Executive and Planning Expense  
The amount of Benefits included in Account 6710

(550) Account 6720 - General and Administrative Expense - Total  
[Part 32.6720]

(555) Account 6720 - Benefits - General and Administrative Expense  
The amount of Benefits included in Account 6720

(565) Total Corporate Operations Expense  
Sum of Data Lines (535) + (550)  
Note: Corporate Operations Expense will be limited in accordance with §36.621(a)(4)

**Other Expense and Revenues**

(600) Benefits - The Benefits Portion included in all Plant Specific Operations Expense, Plant Non-specific Operations Expense, Customers Operation Expense and Corporate Operations Expense.

Note: Include the following accounts in the total reported for Data Line (600):

Account 6110 - Benefits - Network Support Expense [Data Line (340)]  
Account 6120 - Benefits - General Support Expense [Data Line (355)]  
Account 6210 - Benefits - Central Office Switching Expense [Data Line (370)]  
Account 6220 - Benefits - Operator Systems Expense [Data Line (385)]  
Account 6230 - Benefits - Central Office Expense - Transmission Equipment [Data Line (400)]  
Account 6410 - Benefits - Cable and Wire Facilities Expense [Data Line (435)]  
Account 6510 - Benefits - Other Property Plant and Equipment Expense [Not separately reported]  
Account 6530 - Benefits - Network Operations Expense [Data Line (455)]  
Account 6540 - Benefits - Access Expense [Not separately reported in Data Collection]  
Account 6610 - Benefits - Marketing Expense [Not separately reported in Data Collection]  
Account 6620 - Benefits - Service Expense [Not separately reported in Data Collection]  
Account 6710 - Benefits - Executive and Planning Expense [Data Line (540)]  
Account 6720 - Benefits - General and Administrative Expense [Data Line (555)]

BROADBAND HIGH COST LOOP FUND  
DATA COLLECTION DESCRIPTION

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**EXHIBIT B**

**Other Expense and Revenues**

(610) Rents - The Rents portion included in all Plant Specific Operations Expense.

Note: Include the following accounts in the total reported for Data Line (610):

Account 6110 - Rents - Network Support Expense [Data Line (345)]

Account 6120 - Rents - General Support Expense [Data Line (360)]

Account 6210 - Rents - Central Office Switching Expense [Data Line (375)]

Account 6220 - Rents - Operator Systems Expense [Data Line (390)]

Account 6230 - Rents - Central Office Expense - Transmission Equipment [Data Line (405)]

Account 6410 - Rents - Cable and Wire Facilities Expense [Data Line (440)]

**Operating Taxes**

(650) Account 7200 - Operating Taxes

Include the sum of all Account 72xx subaccounts.

[Part 32.7200]

**IV. PART 36 - COST SEPARATIONS STUDY DATA**

(700) Cost Study Average Investment in Cable and Wire Facilities

Enter the average investment in Account 2410.

(710) Cost Study Average in Cable and Wire Facilities - Category 1: Exchange Line

Cable and Wire Facilities excluding Wideband

Enter the average investment assigned to Exchange Line Cable and Wire Facilities excluding Wideband - Category 1 (total Categories 1.1 through 1.3). Development of this amount must be consistent with Responsible Accounting Officer Letter 21, dated September 8, 1992.

[Part 36.152(a)(1)]

(720) Cost Study Average in Cable and Wire Facilities - Category 2: Wideband and Exchange Trunk Cable and Wire Facilities (Interstate)

Enter the average investment assigned to Wideband and Exchange Trunk Cable and Wire Facilities - Category 2 (Interstate).

[Part 36.152(a)(2) and Part 36.155]

**V. AMORTIZABLE TANGIBLE ASSETS**

Complete this section if any portion of a study area's unseparated Cable & Wire Facilities - Category 1 or Category 2 and/or Central Office Equipment - Categories 4.11, 4.13 and 4.22 has been acquired under a capital lease.

(800) Account 2680 - Amortizable Tangible Assets

[Part 32.2680]

**AMORTIZABLE TANGIBLE ASSETS - continued**

(805) Account 2680 (2230) - Amortizable Tangible Assets - Central Office Transmission Equipment

Enter amount for equipment acquired under a capital lease (Account 2681). The type of equipment, if owned, would be booked to Account 2230.

[Part 32.2680, Part 32.2681]

(810) Account 2680 (2230) Amortizable Tangible Assets - Central Office Transmission Equipment Assigned to Category 4.13

Enter amount for equipment assigned to Category 4.13, acquired under a capital lease (Account 2681). The type of equipment, if owned, would be booked to Account 2230 and assigned to Category 4.13 in the Part 36 Cost Study.

[Part 32.2680, Part 32.2681]

(811) Account 2680 (2230) Amortizable Tangible Assets - Central Office Transmission Equipment Assigned to Category 4.11

Enter amount for equipment assigned to Category 4.11, acquired under a capital lease (Account 2681). The type of equipment, if owned, would be booked to Account 2230 and assigned to Category 4.11 in the Part 36 Cost Study.

[Part 32.2680, Part 32.2681]

(812) Account 2680 (2230) Amortizable Tangible Assets - Central Office Transmission Equipment Assigned to Category 4.22

Enter amount for equipment assigned to Category 4.22, acquired under a capital lease (Account 2681). The type of equipment, if owned, would be booked to Account 2230 and assigned to Category 4.11 in the Part 36 Cost Study.

[Part 32.2680, Part 32.2681]

(815) Account 2680 (2410) Amortizable Tangible Assets - Cable & Wire Facilities

Enter amount for equipment acquired under a capital lease (Account 2681). This type of facility, if owned, would be booked to Account 2410.

[Part 32.2680, Part 32.2681]

(820) Account 2680 (2410) - Amortizable Tangible Assets - Cable & Wire Facilities Assigned to Category 1

Enter amount for equipment assigned to Category 1 and acquired under a capital lease (Account 2681). This type of facility, if owned, would be booked to Account 2410 and assigned to Category 1 in the Part 36 Cost Study.

[Part 32.2680, Part 32.2681]

(830) Account 6560 (2680) Depreciation and Amortization Expense - Amortizable Tangible Assets

[Part 32.6560]

EXHIBIT C

															RURAL SUPPORT CALCULATION												
															Study Area <=200,000 Loops				Study Area > 200,000 loops								
															RURAL REVISED NACLPL:		115%		150%		115%		160%				
															\$ 510.98		\$ 587.63		\$ 766.47		\$ 587.63		\$ 817.57				
NECA 2010 USF DATA													CALCULATED DATA		115% TO 150% BRACKET		OVER 150% BRACKET		115% TO 160% BRACKET		160% TO 200% BRACKET						
													65%		75%		10%		30%								
SAC	CC_NAME	SANAME	CC_CODE	ST	SS	TIER	CALC	RURAL	YEAR	DAS	DL070_CAT_1 3_LOOPS	Study Area Broadband Cost per Loop (SABCL)	Cost Study Area Broadband Unseparated Costs	Loops > 200,000?	LESSER OF STUDY AREA COST OR 150% OF NACLPL	BRACKET AMOUNT (115%)	GREATER OF STUDY AREA COST OR 150% OF NACLPL	BRACKET AMOUNT (150%)	LESSER OF STUDY AREA COST OR 160% OF NACLPL	BRACKET AMOUNT (115%)	GREATER OF STUDY AREA COST OR 150% OF NACLPL	BRACKET AMOUNT (160%)	TOTAL BROADBAND HCL SUPPORT PER LOOP	ANNUAL BROADBAND HCL SUPPORT	Broadband Support based on TRP est		
					3	2	C	Y	2010	1	32,358	\$ 1,269.34	\$ 41,073,318		\$ 766.47	\$ 116.25	\$ 1,269.34	\$ 377.15	\$ 817.57	\$ 17.88	\$ 1,269.34	\$ 135.53	\$ 493.40	\$ 15,965,452	\$ 17,587,558		
					3	2	C	Y	2010	1	26,061	\$ 1,070.26	\$ 27,892,110		\$ 766.47	\$ 116.25	\$ 1,070.26	\$ 227.84	\$ 817.57	\$ 17.88	\$ 1,070.26	\$ 75.81	\$ 344.09	\$ 8,967,341	\$ 9,727,866		
					3	2	C	Y	2010	0	1,555	\$ 1,001.17	\$ 1,556,816		\$ 766.47	\$ 116.25	\$ 1,001.17	\$ 176.03	\$ 817.57	\$ 17.88	\$ 1,001.17	\$ 55.08	\$ 292.27	\$ 454,484	n/a		
					3	2	C	Y	2010	1	5,979	\$ 635.23	\$ 3,798,066		\$ 635.23	\$ 30.94	\$ 766.47	\$ -	\$ 635.23	\$ 4.76	\$ 817.57	\$ -	\$ 30.94	\$ 185,002	\$ 77,622		
					3	2	C	Y	2010	1	708	\$ 1,595.18	\$ 1,129,385		\$ 766.47	\$ 116.25	\$ 1,595.18	\$ 621.53	\$ 817.57	\$ 17.88	\$ 1,595.18	\$ 233.28	\$ 737.78	\$ 522,349	\$ 511,484		
					3	2	C	Y	2010	1	15,822	\$ 708.80	\$ 11,214,643		\$ 708.80	\$ 78.76	\$ 766.47	\$ -	\$ 708.80	\$ 12.12	\$ 817.57	\$ -	\$ 78.76	\$ 1,246,179	\$ 1,246,179		
					3	2	C	Y	2010	1	4,151	\$ 793.29	\$ 3,292,966		\$ 766.47	\$ 116.25	\$ 793.29	\$ 20.12	\$ 793.29	\$ 17.88	\$ 817.57	\$ -	\$ 136.36	\$ 566,043	\$ 567,817		
					3	2	C	Y	2010	1	1,779	\$ 814.83	\$ 1,448,579		\$ 766.47	\$ 116.25	\$ 814.83	\$ 36.27	\$ 814.83	\$ 17.88	\$ 817.57	\$ -	\$ 152.52	\$ 271,329	\$ 271,329		
					3	2	C	Y	2010	1	3,234	\$ 742.13	\$ 2,400,062		\$ 742.13	\$ 100.43	\$ 766.47	\$ -	\$ 742.13	\$ 15.45	\$ 817.57	\$ -	\$ 100.43	\$ 324,781	\$ 324,781		
					3	2	C	Y	2010	1	738	\$ 1,327.27	\$ 979,523		\$ 766.47	\$ 116.25	\$ 1,327.27	\$ 420.60	\$ 817.57	\$ 17.88	\$ 1,327.27	\$ 152.91	\$ 536.85	\$ 396,194	\$ 320,348		
					3	2	C	Y	2010	1	1,850	\$ 1,095.66	\$ 2,026,973		\$ 766.47	\$ 116.25	\$ 1,095.66	\$ 246.89	\$ 817.57	\$ 17.88	\$ 1,095.66	\$ 83.43	\$ 363.14	\$ 671,810	\$ 733,831		
					3	2	C	Y	2010	1	1,379	\$ 3,634.64	\$ 5,012,172		\$ 766.47	\$ 116.25	\$ 3,634.64	\$ 2,151.13	\$ 817.57	\$ 17.88	\$ 3,634.64	\$ 845.12	\$ 2,267.38	\$ 3,126,711	\$ 2,368,326		
					3	2	C	Y	2010	1	275	\$ 5,622.99	\$ 1,546,322		\$ 766.47	\$ 116.25	\$ 5,622.99	\$ 3,642.39	\$ 817.57	\$ 17.88	\$ 5,622.99	\$ 1,441.63	\$ 3,758.64	\$ 1,033,625	\$ 884,824		
					3	2	C	Y	2010	1	246	\$ 1,690.42	\$ 415,843		\$ 766.47	\$ 116.25	\$ 1,690.42	\$ 692.96	\$ 817.57	\$ 17.88	\$ 1,690.42	\$ 261.86	\$ 809.21	\$ 199,066	\$ 17,385		
					3	2	C	Y	2010	1	344	\$ 3,091.53	\$ 1,063,485		\$ 766.47	\$ 116.25	\$ 3,091.53	\$ 1,743.80	\$ 817.57	\$ 17.88	\$ 3,091.53	\$ 682.19	\$ 1,860.04	\$ 639,855	\$ 686,607		
					3	2	C	Y	2010	1	8,667	\$ 3,225.20	\$ 27,952,826		\$ 766.47	\$ 116.25	\$ 3,225.20	\$ 1,844.05	\$ 817.57	\$ 17.88	\$ 3,225.20	\$ 722.29	\$ 1,960.30	\$ 16,989,881	\$ 13,828,419		
					3	2	C	Y	2010	1	4,830	\$ 2,839.82	\$ 13,716,315		\$ 766.47	\$ 116.25	\$ 2,839.82	\$ 1,555.01	\$ 817.57	\$ 17.88	\$ 2,839.82	\$ 606.68	\$ 1,671.26	\$ 8,072,188	\$ 6,716,793		
					3	2	C	Y	2010	1	4,726	\$ 859.79	\$ 4,063,372		\$ 766.47	\$ 116.25	\$ 859.79	\$ 69.99	\$ 817.57	\$ 17.88	\$ 859.79	\$ 12.67	\$ 186.24	\$ 880,161	\$ 312,145		
					3	2	C	Y	2010	1	1,853	\$ 2,277.40	\$ 4,220,023		\$ 766.47	\$ 116.25	\$ 2,277.40	\$ 1,133.20	\$ 817.57	\$ 17.88	\$ 2,277.40	\$ 437.95	\$ 1,249.45	\$ 2,315,222	\$ 2,169,632		
					3	2	C	Y	2010	1	840	\$ 2,592.04	\$ 2,177,313		\$ 766.47	\$ 116.25	\$ 2,592.04	\$ 1,369.18	\$ 817.57	\$ 17.88	\$ 2,592.04	\$ 532.34	\$ 1,485.43	\$ 1,247,757	\$ 1,259,532		
					3	2	C	Y	2010	1	4,030	\$ 1,794.61	\$ 7,232,289		\$ 766.47	\$ 116.25	\$ 1,794.61	\$ 771.11	\$ 817.57	\$ 17.88	\$ 1,794.61	\$ 293.11	\$ 887.35	\$ 3,576,032	\$ 3,836,088		
					3	2	C	Y	2010	1	1,248	\$ 1,241.30	\$ 1,549,138		\$ 766.47	\$ 116.25	\$ 1,241.30	\$ 356.12	\$ 817.57	\$ 17.88	\$ 1,241.30	\$ 127.12	\$ 472.37	\$ 589,518	\$ 509,593		
					3	2	C	Y	2010	1	1,189	\$ 2,962.09	\$ 3,521,930		\$ 766.47	\$ 116.25	\$ 2,962.09	\$ 1,646.72	\$ 817.57	\$ 17.88	\$ 2,962.09	\$ 643.36	\$ 1,762.96	\$ 2,096,163	\$ 1,910,715		
					3	2	C	Y	2010	1	2,040	\$ 1,392.11	\$ 2,839,909		\$ 766.47	\$ 116.25	\$ 1,392.11	\$ 469.23	\$ 817.57	\$ 17.88	\$ 1,392.11	\$ 172.36	\$ 585.48	\$ 1,194,375	\$ 1,172,343		
					3	2	C	Y	2010	1	1,745	\$ 1,675.53	\$ 2,923,794		\$ 766.47	\$ 116.25	\$ 1,675.53	\$ 681.80	\$ 817.57	\$ 17.88	\$ 1,675.53	\$ 257.39	\$ 798.04	\$ 1,392,585	\$ 1,470,168		
					3	2	C	Y	2010	1	7,198	\$ 1,016.73	\$ 7,318,414		\$ 766.47	\$ 116.25	\$ 1,016.73	\$ 187.70	\$ 817.57	\$ 17.88	\$ 1,016.73	\$ 59.75	\$ 303.94	\$ 2,187,781	\$ 1,870,835		

Company A National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	10,475,965	10,475,965	10,475,965	10,475,965
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(434,634)	(882,438)	(1,317,072)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>10,475,965</b>	<b>10,041,331</b>	<b>9,593,527</b>	<b>9,158,893</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-4.1%</b>	<b>-8.4%</b>	<b>-12.6%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>403.01</b>	<b>406.43</b>	<b>410.84</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	109,855	109,855	109,855	109,855
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(42,426)	(79,777)	(109,855)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>109,855</b>	<b>67,429</b>	<b>30,078</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>-38.6%</b>	<b>-72.6%</b>	<b>-100.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>2.71</b>	<b>1.27</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	9,641,379	13,959,137	17,465,842	17,898,861
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(1,914,134)	(2,378,910)	(2,433,861)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(679,810)	(1,311,639)	(1,848,939)
18	HCL with NACPL Reset	See Footnote 1	0	2,793,531	2,296,850	1,822,319
19	Combined Impact to HCL Support	See Footnote 2	<b>0</b>	<b>(67,717)</b>	<b>(1,513,118)</b>	<b>(2,447,456)</b>
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>9,641,379</b>	<b>13,891,420</b>	<b>15,952,724</b>	<b>15,451,405</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>-0.5%</b>	<b>-8.7%</b>	<b>-13.7%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>557.54</b>	<b>675.84</b>	<b>693.11</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	614,364	614,364	614,364	614,364
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(153,591)	(307,182)	(460,773)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>614,364</b>	<b>460,773</b>	<b>307,182</b>	<b>153,591</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>18.49</b>	<b>13.01</b>	<b>6.89</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>20,841,563</b>	<b>25,159,321</b>	<b>28,666,026</b>	<b>29,099,045</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(698,368)</b>	<b>(2,782,515)</b>	<b>(4,335,156)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>20,841,563</b>	<b>24,460,953</b>	<b>25,883,511</b>	<b>24,763,889</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>20,841,563</b>	<b>24,460,953</b>	<b>25,883,511</b>	<b>24,763,889</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-2.8%</b>	<b>-9.7%</b>	<b>-14.9%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(28.03)</b>	<b>(117.88)</b>	<b>(194.46)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>26,227</b>	<b>24,916</b>	<b>23,604</b>	<b>22,293</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company B National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	2,304,283	2,304,283	2,304,283	2,304,283
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(159,100)	(323,021)	(482,121)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>2,304,283</b>	<b>2,145,183</b>	<b>1,981,262</b>	<b>1,822,162</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-6.9%</b>	<b>-14.0%</b>	<b>-20.9%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>543.72</b>	<b>530.08</b>	<b>516.19</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	336,422	336,422	336,422	336,422
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(123,911)	(234,791)	(336,422)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>336,422</b>	<b>212,511</b>	<b>101,631</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>-36.8%</b>	<b>-69.8%</b>	<b>-100.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>53.86</b>	<b>27.19</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	6,500,000	5,606,395	6,116,407	6,656,861
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(786,527)	(855,032)	(865,645)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(295,660)	(602,848)	(899,773)
18	HCL with NACPL Reset	See Footnote 1	0	431,984	355,178	281,798
19	Combined Impact to HCL Support	See Footnote 2	0	<b>(668,610)</b>	<b>(1,072,884)</b>	<b>(1,407,298)</b>
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>6,500,000</b>	<b>4,937,785</b>	<b>5,043,523</b>	<b>5,249,563</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>-11.9%</b>	<b>-17.5%</b>	<b>-21.1%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>1,251.55</b>	<b>1,349.37</b>	<b>1,487.11</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	85,608	85,608	85,608	85,608
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(21,402)	(42,804)	(64,206)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26 - Ln 27)	<b>85,608</b>	<b>64,206</b>	<b>42,804</b>	<b>21,402</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>16.27</b>	<b>11.45</b>	<b>6.06</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>9,226,313</b>	<b>8,332,708</b>	<b>8,842,720</b>	<b>9,383,174</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(973,023)</b>	<b>(1,673,500)</b>	<b>(2,290,047)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>9,226,313</b>	<b>7,359,685</b>	<b>7,169,220</b>	<b>7,093,127</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>9,226,313</b>	<b>7,359,685</b>	<b>7,169,220</b>	<b>7,093,127</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-11.7%</b>	<b>-18.9%</b>	<b>-24.4%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(246.63)</b>	<b>(447.74)</b>	<b>(648.73)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>4,153</b>	<b>3,945</b>	<b>3,738</b>	<b>3,530</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company C National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
	Source					
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	1,147,359	1,147,359	1,147,359	1,147,359
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(80,794)	(164,037)	(244,831)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>1,147,359</b>	<b>1,066,565</b>	<b>983,322</b>	<b>902,528</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		-7.0%	-14.3%	-21.3%
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-7.3%	-14.9%	-22.2%
6	<b>Company Average ICLS per Line</b>	Line 3/42		921.00	896.29	871.04
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	425,346	425,346	425,346	425,346
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(167,863)	(307,885)	(425,346)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>425,346</b>	<b>257,483</b>	<b>117,461</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		-39.5%	-72.4%	-100.0%
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-36.3%	-70.0%	-100.0%
13	<b>Company Average LSS per Line</b>	Line 10/42		222.34	107.06	-
14						
15	HCL Calculated Under Current Rules	HCL Calculated	1,738,938	1,874,373	2,243,284	2,267,721
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(252,331)	(301,392)	(304,523)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(117,725)	(253,395)	(675,668)
18	HCL with NACPL Reset	See Footnote 1	0	127,451	104,791	83,141
19	Combined Impact to HCL Support	See Footnote 2	0	(244,945)	(433,770)	(565,979)
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>1,738,938</b>	<b>1,629,428</b>	<b>1,809,514</b>	<b>1,701,742</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		-13.1%	-19.3%	-25.0%
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-8.8%	-17.5%	-27.2%
24	<b>Company Average HCL per Line</b>	Line 21/42		1,407.04	1,649.36	1,642.37
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	20,556	20,556	20,556	20,556
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(5,139)	(10,278)	(15,417)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>20,556</b>	<b>15,417</b>	<b>10,278</b>	<b>5,139</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		-25.0%	-50.0%	-75.0%
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-25.0%	-50.0%	-75.0%
31	<b>Company Average SNA per Line</b>	Line 28/42		13.31	9.37	4.96
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>3,332,199</b>	<b>3,467,634</b>	<b>3,836,545</b>	<b>3,860,982</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(498,741)</b>	<b>(915,970)</b>	<b>(1,251,573)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>3,332,199</b>	<b>2,968,893</b>	<b>2,920,575</b>	<b>2,609,409</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>3,332,199</b>	<b>2,968,893</b>	<b>2,920,575</b>	<b>2,609,409</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-14.4%</b>	<b>-23.9%</b>	<b>-32.4%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		-10.9%	-22.5%	-31.3%
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		(430.67)	(834.90)	(1,207.91)
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>1,219</b>	<b>1,158</b>	<b>1,097</b>	<b>1,036</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company D National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	453,444	453,444	453,444	453,444
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(53,559)	(108,741)	(162,300)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>453,444</b>	<b>399,885</b>	<b>344,703</b>	<b>291,144</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-11.8%</b>	<b>-24.0%</b>	<b>-35.8%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>333.02</b>	<b>303.01</b>	<b>270.98</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	141,540	141,540	141,540	141,540
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(56,053)	(104,176)	(141,540)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>141,540</b>	<b>85,487</b>	<b>37,364</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>-39.6%</b>	<b>-73.6%</b>	<b>-100.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>71.19</b>	<b>32.84</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	493,959	571,628	603,220	628,870
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(78,751)	(82,830)	(86,117)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(96,855)	(198,844)	(296,782)
18	HCL with NACPL Reset	See Footnote 1	0	133,776	109,991	87,267
19	Combined Impact to HCL Support	See Footnote 2	0	(51,911)	(171,282)	(285,179)
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>493,959</b>	<b>519,717</b>	<b>431,938</b>	<b>343,691</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>-9.1%</b>	<b>-28.4%</b>	<b>-45.3%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>432.81</b>	<b>379.69</b>	<b>319.89</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	0	0	0	0
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	0	0	0
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>-</b>	<b>-</b>	<b>-</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>1,088,943</b>	<b>1,166,612</b>	<b>1,198,204</b>	<b>1,223,854</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(161,523)</b>	<b>(384,199)</b>	<b>(589,019)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>1,088,943</b>	<b>1,005,089</b>	<b>814,005</b>	<b>634,835</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>1,088,943</b>	<b>1,005,089</b>	<b>814,005</b>	<b>634,835</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-13.8%</b>	<b>-32.1%</b>	<b>-48.1%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(134.51)</b>	<b>(337.73)</b>	<b>(548.23)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>1,264</b>	<b>1,201</b>	<b>1,138</b>	<b>1,074</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company E National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
	Source					
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	766,164	766,164	766,164	766,164
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(95,280)	(193,448)	(288,728)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>766,164</b>	<b>670,884</b>	<b>572,716</b>	<b>477,436</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-12.4%</b>	<b>-25.2%</b>	<b>-37.7%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>117.74</b>	<b>106.09</b>	<b>93.65</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	246,255	246,255	246,255	246,255
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(91,930)	(175,656)	(246,255)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>246,255</b>	<b>154,325</b>	<b>70,599</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>-37.3%</b>	<b>-71.3%</b>	<b>-100.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>27.08</b>	<b>13.08</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	123,382	262,365	322,930	425,277
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(40,364)	(49,682)	(65,427)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(155,860)	(320,404)	(425,277)
18	HCL with NACPL Reset	See Footnote 1	0	590,214	490,373	402,043
19	Combined Impact to HCL Support	See Footnote 2	<b>0</b>	<b>304,326</b>	<b>37,761</b>	<b>(194,548)</b>
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>123,382</b>	<b>566,691</b>	<b>360,691</b>	<b>230,729</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>116.0%</b>	<b>11.7%</b>	<b>-45.7%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>99.45</b>	<b>66.82</b>	<b>45.26</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	149,460	149,460	149,460	149,460
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(37,365)	(74,730)	(112,095)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26 - Ln 27)	<b>149,460</b>	<b>112,095</b>	<b>74,730</b>	<b>37,365</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>19.67</b>	<b>13.84</b>	<b>7.33</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>1,285,261</b>	<b>1,424,244</b>	<b>1,484,809</b>	<b>1,587,156</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>79,751</b>	<b>(406,073)</b>	<b>(841,626)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>1,285,261</b>	<b>1,503,995</b>	<b>1,078,736</b>	<b>745,530</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>1,285,261</b>	<b>1,503,995</b>	<b>1,078,736</b>	<b>745,530</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>5.6%</b>	<b>-27.3%</b>	<b>-53.0%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>14.00</b>	<b>(75.22)</b>	<b>(165.08)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>5,998</b>	<b>5,698</b>	<b>5,398</b>	<b>5,098</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company F National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	990,991	990,991	990,991	990,991
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(80,814)	(164,076)	(244,890)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>990,991</b>	<b>910,177</b>	<b>826,915</b>	<b>746,101</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-8.2%</b>	<b>-16.6%</b>	<b>-24.7%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>521.83</b>	<b>500.43</b>	<b>478.09</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	341,513	341,513	341,513	341,513
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(135,006)	(251,121)	(341,513)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>341,513</b>	<b>206,507</b>	<b>90,392</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>-39.5%</b>	<b>-73.5%</b>	<b>-100.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>118.40</b>	<b>54.70</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	1,326,398	1,520,121	1,837,453	1,873,318
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(206,226)	(248,350)	(252,946)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(129,027)	(194,437)	(290,205)
18	HCL with NACPL Reset	See Footnote 1	0	187,050	153,793	122,019
19	Combined Impact to HCL Support	See Footnote 2	<b>0</b>	<b>(154,966)</b>	<b>(296,071)</b>	<b>(417,916)</b>
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>1,326,398</b>	<b>1,365,155</b>	<b>1,541,382</b>	<b>1,455,402</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>-10.2%</b>	<b>-16.1%</b>	<b>-22.3%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>782.68</b>	<b>932.81</b>	<b>932.59</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	27,492	27,492	27,492	27,492
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(6,873)	(13,746)	(20,619)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>27,492</b>	<b>20,619</b>	<b>13,746</b>	<b>6,873</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>11.82</b>	<b>8.32</b>	<b>4.40</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>2,686,394</b>	<b>2,880,117</b>	<b>3,197,449</b>	<b>3,233,314</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(377,659)</b>	<b>(725,014)</b>	<b>(1,024,938)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>2,686,394</b>	<b>2,502,458</b>	<b>2,472,435</b>	<b>2,208,376</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>2,686,394</b>	<b>2,502,458</b>	<b>2,472,435</b>	<b>2,208,376</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-13.1%</b>	<b>-22.7%</b>	<b>-31.7%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(216.52)</b>	<b>(438.76)</b>	<b>(656.76)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>1,836</b>	<b>1,744</b>	<b>1,652</b>	<b>1,561</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company G National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
	Source					
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	229,318	229,318	229,318	229,318
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(26,616)	(54,038)	(80,654)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>229,318</b>	<b>202,702</b>	<b>175,280</b>	<b>148,664</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-11.6%</b>	<b>-23.6%</b>	<b>-35.2%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>300.95</b>	<b>274.69</b>	<b>246.68</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	0	0	0	0
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	0	0	0
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>-</b>	<b>-</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	488,801	475,629	494,501	509,073
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(64,857)	(67,297)	(69,164)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(60,323)	(132,208)	(197,326)
18	HCL with NACPL Reset	See Footnote 1	0	75,999	62,487	49,577
19	Combined Impact to HCL Support	See Footnote 2	<b>0</b>	<b>(50,875)</b>	<b>(127,398)</b>	<b>(196,956)</b>
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>488,801</b>	<b>424,754</b>	<b>367,103</b>	<b>312,117</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>-10.7%</b>	<b>-25.8%</b>	<b>-38.7%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>630.62</b>	<b>575.31</b>	<b>517.91</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	0	0	0	0
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	0	0	0
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>-</b>	<b>-</b>	<b>-</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>718,119</b>	<b>704,947</b>	<b>723,819</b>	<b>738,391</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(77,491)</b>	<b>(181,436)</b>	<b>(277,610)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>718,119</b>	<b>627,456</b>	<b>542,383</b>	<b>460,781</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>718,119</b>	<b>627,456</b>	<b>542,383</b>	<b>460,781</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-11.0%</b>	<b>-25.1%</b>	<b>-37.6%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(115.05)</b>	<b>(284.34)</b>	<b>(460.65)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>709</b>	<b>674</b>	<b>638</b>	<b>603</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company H National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
	Source					
1 ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat		868,490	868,490	868,490	868,490
2 Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp		0	(79,035)	(160,464)	(239,499)
3 <b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)		<b>868,490</b>	<b>789,455</b>	<b>708,026</b>	<b>628,991</b>
4 <b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)			-9.1%	-18.5%	-27.6%
5 <b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median			-7.3%	-14.9%	-22.2%
6 <b>Company Average ICLS per Line</b>	Line 3/42			199.14	188.52	177.33
7						
8 Local Switching Support Base	2010 Forecast - Kept Flat		170,246	170,246	170,246	170,246
9 Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%		0	(69,582)	(127,465)	(170,246)
10 <b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)		<b>170,246</b>	<b>100,664</b>	<b>42,781</b>	<b>0</b>
11 <b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)			-40.9%	-74.9%	-100.0%
12 <b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median			-36.3%	-70.0%	-100.0%
13 <b>Company Average LSS per Line</b>	Line 10/42			25.39	11.39	-
14						
15 HCL Calculated Under Current Rules	HCL Calculated		530,332	428,314	511,535	596,850
16 HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated		0	(65,537)	(76,190)	(87,121)
17 HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated		0	(153,754)	(323,756)	(489,447)
18 HCL with NACPL Reset	See Footnote 1		0	444,954	365,843	290,259
19 Combined Impact to HCL Support	See Footnote 2		0	169,218	(69,487)	(300,118)
20						
21 <b>HCL with All Proposed Revisions</b>	Line 15 + Line 19		<b>530,332</b>	<b>597,532</b>	<b>442,048</b>	<b>296,732</b>
22 <b>Company Percent Reduction in HCL USF</b>	Line 19/15			39.5%	-13.6%	-50.3%
23 <b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median			-8.8%	-17.5%	-27.2%
24 <b>Company Average HCL per Line</b>	Line 21/42			150.73	117.70	83.66
25						
26 SNA Calculated per Current Rules	USAC SNA Source Data		84,240	84,240	84,240	84,240
27 Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination		0	(21,060)	(42,120)	(63,180)
28 <b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)		<b>84,240</b>	<b>63,180</b>	<b>42,120</b>	<b>21,060</b>
29 <b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)			-25.0%	-50.0%	-75.0%
30 <b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median			-25.0%	-50.0%	-75.0%
31 <b>Company Average SNA per Line</b>	Line 28/42			15.94	11.21	5.94
32						
33 <b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26		<b>1,653,308</b>	<b>1,551,290</b>	<b>1,634,511</b>	<b>1,719,826</b>
34 <b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27		<b>0</b>	<b>(459)</b>	<b>(399,536)</b>	<b>(773,043)</b>
35 <b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28		<b>1,653,308</b>	<b>1,550,831</b>	<b>1,234,975</b>	<b>946,783</b>
36 <b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37 <b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)		<b>1,653,308</b>	<b>1,550,831</b>	<b>1,234,975</b>	<b>946,783</b>
38 <b>Company Percent Reduction in Total USF</b>	Line (34+36)/33		<b>0.0%</b>	<b>0.0%</b>	<b>-24.4%</b>	<b>-44.9%</b>
39 <b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median			-10.9%	-22.5%	-31.3%
40 <b>Average per Line Reduction in Total USF</b>	Line (34+36)/42			(0.12)	(106.38)	(217.94)
41						
42 <b>Access Lines</b>	Reduced 5% per yr		<b>4,173</b>	<b>3,964</b>	<b>3,756</b>	<b>3,547</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company I			2011	2012	2013	2014
National Broadband Plan NPRM February 2011						
Estimated Reduction to ALL USF Mechanisms per FCC Proposals			Source			
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	1,198,723	1,198,723	1,198,723	1,198,723
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(54,093)	(109,825)	(163,918)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>1,198,723</b>	<b>1,144,630</b>	<b>1,088,898</b>	<b>1,034,805</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		-4.5%	-9.2%	-13.7%
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-7.3%	-14.9%	-22.2%
6	<b>Company Average ICLS per Line</b>	Line 3/42		866.19	869.80	875.21
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	188,233	188,233	188,233	188,233
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(68,451)	(132,450)	(188,233)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>188,233</b>	<b>119,782</b>	<b>55,783</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		-36.4%	-70.4%	-100.0%
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-36.3%	-70.0%	-100.0%
13	<b>Company Average LSS per Line</b>	Line 10/42		90.64	44.56	-
14						
15	HCL Calculated Under Current Rules	HCL Calculated	2,136,457	2,308,603	2,548,661	2,577,004
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(310,614)	(342,474)	(346,106)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(107,224)	(234,068)	(349,356)
18	HCL with NACPL Reset	See Footnote 1	0	147,818	121,536	96,427
19	Combined Impact to HCL Support	See Footnote 2	0	(274,664)	(444,238)	(576,773)
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>2,136,457</b>	<b>2,033,939</b>	<b>2,104,423</b>	<b>2,000,231</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		-11.9%	-17.4%	-22.4%
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-8.8%	-17.5%	-27.2%
24	<b>Company Average HCL per Line</b>	Line 21/42		1,539.17	1,680.98	1,691.74
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	24,924	24,924	24,924	24,924
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(6,231)	(12,462)	(18,693)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>24,924</b>	<b>18,693</b>	<b>12,462</b>	<b>6,231</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		-25.0%	-50.0%	-75.0%
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-25.0%	-50.0%	-75.0%
31	<b>Company Average SNA per Line</b>	Line 28/42		14.15	9.95	5.27
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>3,548,337</b>	<b>3,720,483</b>	<b>3,960,541</b>	<b>3,988,884</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(403,439)</b>	<b>(698,975)</b>	<b>(947,617)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>3,548,337</b>	<b>3,317,044</b>	<b>3,261,566</b>	<b>3,041,267</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>3,548,337</b>	<b>3,317,044</b>	<b>3,261,566</b>	<b>3,041,267</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-10.8%</b>	<b>-17.6%</b>	<b>-23.8%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		-10.9%	-22.5%	-31.3%
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		(305.30)	(558.33)	(801.47)
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>1,391</b>	<b>1,321</b>	<b>1,252</b>	<b>1,182</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company J National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	2,216,964	2,216,964	2,216,964	2,216,964
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(145,364)	(295,133)	(440,497)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>2,216,964</b>	<b>2,071,600</b>	<b>1,921,831</b>	<b>1,776,467</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		-6.6%	-13.3%	-19.9%
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-7.3%	-14.9%	-22.2%
6	<b>Company Average ICLS per Line</b>	Line 3/42		316.72	310.15	303.55
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	341,549	341,549	341,549	341,549
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(124,052)	(240,178)	(341,549)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>341,549</b>	<b>217,497</b>	<b>101,371</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		-36.3%	-70.3%	-100.0%
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-36.3%	-70.0%	-100.0%
13	<b>Company Average LSS per Line</b>	Line 10/42		33.25	16.36	-
14						
15	HCL Calculated Under Current Rules	HCL Calculated	1,814,562	2,544,686	2,979,863	3,127,802
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(353,907)	(411,161)	(430,117)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(273,426)	(550,620)	(821,820)
18	HCL with NACPL Reset	See Footnote 1	0	771,568	634,386	503,321
19	Combined Impact to HCL Support	See Footnote 2	0	67,840	(357,851)	(737,243)
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>1,814,562</b>	<b>2,612,526</b>	<b>2,622,012</b>	<b>2,390,559</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		2.7%	-12.0%	-23.6%
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-8.8%	-17.5%	-27.2%
24	<b>Company Average HCL per Line</b>	Line 21/42		399.42	423.14	408.49
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	395,652	395,652	395,652	395,652
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(98,913)	(197,826)	(296,739)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>395,652</b>	<b>296,739</b>	<b>197,826</b>	<b>98,913</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		-25.0%	-50.0%	-75.0%
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-25.0%	-50.0%	-75.0%
31	<b>Company Average SNA per Line</b>	Line 28/42		45.37	31.93	16.90
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>4,768,727</b>	<b>5,498,851</b>	<b>5,934,028</b>	<b>6,081,967</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(300,489)</b>	<b>(1,090,988)</b>	<b>(1,816,028)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>4,768,727</b>	<b>5,198,362</b>	<b>4,843,040</b>	<b>4,265,939</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>4,768,727</b>	<b>5,198,362</b>	<b>4,843,040</b>	<b>4,265,939</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	-5.5%	-18.4%	-29.9%
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		-10.9%	-22.5%	-31.3%
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		(45.94)	(176.07)	(310.31)
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>6,885</b>	<b>6,541</b>	<b>6,197</b>	<b>5,852</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company K National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	1,070,518	1,070,518	1,070,518	1,070,518
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(61,855)	(125,585)	(187,440)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>1,070,518</b>	<b>1,008,663</b>	<b>944,933</b>	<b>883,078</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-5.8%</b>	<b>-11.7%</b>	<b>-17.5%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>517.67</b>	<b>511.91</b>	<b>506.54</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	52,695	52,695	52,695	52,695
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(19,914)	(37,830)	(52,695)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>52,695</b>	<b>32,781</b>	<b>14,865</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>-37.8%</b>	<b>-71.8%</b>	<b>-100.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>16.82</b>	<b>8.05</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	1,147,260	1,141,984	1,489,665	1,531,593
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(156,407)	(202,546)	(207,918)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(123,960)	(267,889)	(399,835)
18	HCL with NACPL Reset	See Footnote 1	0	218,672	179,793	142,647
19	Combined Impact to HCL Support	See Footnote 2	<b>0</b>	<b>(78,918)</b>	<b>(290,349)</b>	<b>(430,073)</b>
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>1,147,260</b>	<b>1,063,066</b>	<b>1,199,316</b>	<b>1,101,520</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>-6.9%</b>	<b>-19.5%</b>	<b>-28.1%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>545.60</b>	<b>649.72</b>	<b>631.84</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	45,912	45,912	45,912	45,912
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(11,478)	(22,956)	(34,434)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>45,912</b>	<b>34,434</b>	<b>22,956</b>	<b>11,478</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>17.67</b>	<b>12.44</b>	<b>6.58</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>2,316,385</b>	<b>2,311,109</b>	<b>2,658,790</b>	<b>2,700,718</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(172,165)</b>	<b>(476,720)</b>	<b>(704,642)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>2,316,385</b>	<b>2,138,944</b>	<b>2,182,070</b>	<b>1,996,076</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>2,316,385</b>	<b>2,138,944</b>	<b>2,182,070</b>	<b>1,996,076</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-7.4%</b>	<b>-17.9%</b>	<b>-26.1%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(88.36)</b>	<b>(258.26)</b>	<b>(404.19)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>2,051</b>	<b>1,948</b>	<b>1,846</b>	<b>1,743</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company L National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	1,100,981	1,100,981	1,100,981	1,100,981
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(83,377)	(169,280)	(252,657)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>1,100,981</b>	<b>1,017,604</b>	<b>931,701</b>	<b>848,324</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		-7.6%	-15.4%	-22.9%
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-7.3%	-14.9%	-22.2%
6	<b>Company Average ICLS per Line</b>	Line 3/42		566.75	547.74	528.06
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	84,576	84,576	84,576	84,576
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(30,627)	(59,382)	(84,576)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>84,576</b>	<b>53,949</b>	<b>25,194</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		-36.2%	-70.2%	-100.0%
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-36.3%	-70.0%	-100.0%
13	<b>Company Average LSS per Line</b>	Line 10/42		30.05	14.81	-
14						
15	HCL Calculated Under Current Rules	HCL Calculated	2,030,816	2,253,113	2,607,904	2,645,988
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(304,178)	(351,285)	(356,165)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(147,202)	(305,531)	(456,017)
18	HCL with NACPL Reset	See Footnote 1	0	198,627	163,312	129,571
19	Combined Impact to HCL Support	See Footnote 2	0	(271,133)	(498,868)	(675,985)
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>2,030,816</b>	<b>1,981,980</b>	<b>2,109,036</b>	<b>1,970,003</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		-12.0%	-19.1%	-25.5%
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-8.8%	-17.5%	-27.2%
24	<b>Company Average HCL per Line</b>	Line 21/42		1,103.86	1,239.88	1,226.27
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	32,424	32,424	32,424	32,424
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(8,106)	(16,212)	(24,318)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>32,424</b>	<b>24,318</b>	<b>16,212</b>	<b>8,106</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		-25.0%	-50.0%	-75.0%
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-25.0%	-50.0%	-75.0%
31	<b>Company Average SNA per Line</b>	Line 28/42		13.54	9.53	5.05
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>3,248,797</b>	<b>3,471,094</b>	<b>3,825,885</b>	<b>3,863,969</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(393,243)</b>	<b>(743,742)</b>	<b>(1,037,536)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>3,248,797</b>	<b>3,077,851</b>	<b>3,082,143</b>	<b>2,826,433</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>3,248,797</b>	<b>3,077,851</b>	<b>3,082,143</b>	<b>2,826,433</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-11.3%</b>	<b>-19.4%</b>	<b>-26.9%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		-10.9%	-22.5%	-31.3%
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		(219.02)	(437.24)	(645.84)
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>1,890</b>	<b>1,796</b>	<b>1,701</b>	<b>1,607</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company M National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	354,800	354,800	354,800	354,800
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(26,229)	(53,254)	(79,483)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>354,800</b>	<b>328,571</b>	<b>301,546</b>	<b>275,317</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-7.4%</b>	<b>-15.0%</b>	<b>-22.4%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>221.85</b>	<b>214.91</b>	<b>207.76</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	0	0	0	0
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	0	0	0
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>-</b>	<b>-</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	372,364	457,696	460,136	492,096
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(64,183)	(64,343)	(68,438)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(58,104)	(120,415)	(179,724)
18	HCL with NACPL Reset	See Footnote 1	0	166,684	137,048	108,734
19	Combined Impact to HCL Support	See Footnote 2	<b>0</b>	<b>30,786</b>	<b>(49,215)</b>	<b>(129,398)</b>
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>372,364</b>	<b>488,482</b>	<b>410,921</b>	<b>362,698</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>6.7%</b>	<b>-10.7%</b>	<b>-26.3%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>329.82</b>	<b>292.87</b>	<b>273.70</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	0	0	0	0
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	0	0	0
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>-</b>	<b>-</b>	<b>-</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>727,164</b>	<b>812,496</b>	<b>814,936</b>	<b>846,896</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>4,557</b>	<b>(102,469)</b>	<b>(208,881)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>727,164</b>	<b>817,053</b>	<b>712,467</b>	<b>638,015</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>727,164</b>	<b>817,053</b>	<b>712,467</b>	<b>638,015</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>0.6%</b>	<b>-12.6%</b>	<b>-24.7%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>3.08</b>	<b>(73.03)</b>	<b>(157.63)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>1,559</b>	<b>1,481</b>	<b>1,403</b>	<b>1,325</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company N National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	9,765,956	9,765,956	9,765,956	9,765,956
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(168,905)	(342,928)	(511,833)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>9,765,956</b>	<b>9,597,051</b>	<b>9,423,028</b>	<b>9,254,123</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		-1.7%	-3.5%	-5.2%
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-7.3%	-14.9%	-22.2%
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>730.72</b>	<b>757.33</b>	<b>787.50</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	393,972	393,972	393,972	393,972
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(130,011)	(263,961)	(393,972)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>393,972</b>	<b>263,961</b>	<b>130,011</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		-33.0%	-67.0%	-100.0%
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-36.3%	-70.0%	-100.0%
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>20.10</b>	<b>10.45</b>	-
14						
15	HCL Calculated Under Current Rules	HCL Calculated	15,622,978	15,896,882	16,124,647	16,352,413
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(1,715,138)	(1,737,963)	(1,760,787)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(234,971)	(477,061)	(712,032)
18	HCL with NACPL Reset	See Footnote 1	0	1,187,902	976,697	774,910
19	Combined Impact to HCL Support	See Footnote 2	<b>0</b>	<b>(1,361,468)</b>	<b>(1,837,596)</b>	<b>(2,297,785)</b>
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>15,622,978</b>	<b>14,535,414</b>	<b>14,287,051</b>	<b>14,054,628</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		-8.6%	-11.4%	-14.1%
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-8.8%	-17.5%	-27.2%
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>1,106.72</b>	<b>1,148.25</b>	<b>1,196.01</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	140,304	140,304	140,304	140,304
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(35,076)	(70,152)	(105,228)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>140,304</b>	<b>105,228</b>	<b>70,152</b>	<b>35,076</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		-25.0%	-50.0%	-75.0%
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		-25.0%	-50.0%	-75.0%
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>8.01</b>	<b>5.64</b>	<b>2.98</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>25,923,210</b>	<b>26,197,114</b>	<b>26,424,879</b>	<b>26,652,645</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(1,695,459)</b>	<b>(2,514,637)</b>	<b>(3,308,818)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>25,923,210</b>	<b>24,501,654</b>	<b>23,910,242</b>	<b>23,343,827</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>25,923,210</b>	<b>24,501,654</b>	<b>23,910,242</b>	<b>23,343,827</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	-6.5%	-9.5%	-12.4%
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		-10.9%	-22.5%	-31.3%
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(129.09)</b>	<b>(202.10)</b>	<b>(281.57)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>13,825</b>	<b>13,134</b>	<b>12,443</b>	<b>11,751</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company O National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
	Source					
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	535,428	535,428	535,428	535,428
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(65,441)	(132,866)	(198,307)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>535,428</b>	<b>469,987</b>	<b>402,562</b>	<b>337,121</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-12.2%</b>	<b>-24.8%</b>	<b>-37.0%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>264.42</b>	<b>239.07</b>	<b>211.98</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	57,233	57,233	57,233	57,233
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(18,887)	(38,346)	(57,233)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>57,233</b>	<b>38,346</b>	<b>18,887</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>-33.0%</b>	<b>-67.0%</b>	<b>-100.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>21.57</b>	<b>11.22</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	674,703	812,951	867,497	905,519
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(112,150)	(119,225)	(124,097)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(139,128)	(280,940)	(419,314)
18	HCL with NACPL Reset	See Footnote 1	0	198,305	163,047	129,361
19	Combined Impact to HCL Support	See Footnote 2	0	(59,832)	(220,551)	(374,716)
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>674,703</b>	<b>753,119</b>	<b>646,946</b>	<b>530,803</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>-7.4%</b>	<b>-25.4%</b>	<b>-41.4%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>423.71</b>	<b>384.20</b>	<b>333.76</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	128,856	128,856	128,856	128,856
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(32,214)	(64,428)	(96,642)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26 - Ln 27)	<b>128,856</b>	<b>96,642</b>	<b>64,428</b>	<b>32,214</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>54.37</b>	<b>38.26</b>	<b>20.26</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>1,396,220</b>	<b>1,534,468</b>	<b>1,589,014</b>	<b>1,627,036</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(176,374)</b>	<b>(456,191)</b>	<b>(726,898)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>1,396,220</b>	<b>1,358,094</b>	<b>1,132,823</b>	<b>900,138</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>1,396,220</b>	<b>1,358,094</b>	<b>1,132,823</b>	<b>900,138</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-11.5%</b>	<b>-28.7%</b>	<b>-44.7%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(99.23)</b>	<b>(270.91)</b>	<b>(457.07)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>1,871</b>	<b>1,777</b>	<b>1,684</b>	<b>1,590</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company P National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	11,022,178	11,022,178	11,022,178	11,022,178
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(569,718)	(1,156,701)	(1,726,419)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>11,022,178</b>	<b>10,452,460</b>	<b>9,865,477</b>	<b>9,295,759</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-5.2%</b>	<b>-10.5%</b>	<b>-15.7%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>334.85</b>	<b>333.61</b>	<b>332.83</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	177,037	177,037	177,037	177,037
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(58,422)	(118,615)	(177,037)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>177,037</b>	<b>118,615</b>	<b>58,422</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>-33.0%</b>	<b>-67.0%</b>	<b>-100.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>3.80</b>	<b>1.98</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	16,953,105	16,089,524	17,732,069	18,397,114
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(2,210,972)	(2,426,520)	(2,511,734)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(698,930)	(1,428,568)	(2,132,191)
18	HCL with NACPL Reset	See Footnote 1	0	3,468,519	2,851,827	2,262,637
19	Combined Impact to HCL Support	See Footnote 2	0	207,374	(1,178,200)	(2,386,917)
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>16,953,105</b>	<b>16,296,898</b>	<b>16,553,869</b>	<b>16,010,197</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>1.3%</b>	<b>-6.6%</b>	<b>-13.0%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>522.08</b>	<b>559.78</b>	<b>573.24</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	1,018,350	1,018,350	1,018,350	1,018,350
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(254,588)	(509,175)	(763,763)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>1,018,350</b>	<b>763,763</b>	<b>509,175</b>	<b>254,588</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>24.47</b>	<b>17.22</b>	<b>9.12</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>29,170,670</b>	<b>28,307,089</b>	<b>29,949,634</b>	<b>30,614,679</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(675,354)</b>	<b>(2,962,691)</b>	<b>(5,054,136)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>29,170,670</b>	<b>27,631,735</b>	<b>26,986,943</b>	<b>25,560,544</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>29,170,670</b>	<b>27,631,735</b>	<b>26,986,943</b>	<b>25,560,544</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-2.4%</b>	<b>-9.9%</b>	<b>-16.5%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(21.64)</b>	<b>(100.18)</b>	<b>(180.96)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>32,858</b>	<b>31,215</b>	<b>29,572</b>	<b>27,929</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company Q National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	558,997	558,997	558,997	558,997
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(61,680)	(125,230)	(186,910)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>558,997</b>	<b>497,317</b>	<b>433,767</b>	<b>372,087</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-11.0%</b>	<b>-22.4%</b>	<b>-33.4%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>623.20</b>	<b>573.77</b>	<b>521.13</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	207,514	207,514	207,514	207,514
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(68,480)	(139,034)	(207,514)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>207,514</b>	<b>139,034</b>	<b>68,480</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>-33.0%</b>	<b>-67.0%</b>	<b>-100.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>174.23</b>	<b>90.58</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	1,089,970	1,094,492	1,177,647	1,194,912
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(147,638)	(158,635)	(160,848)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(136,172)	(285,198)	(425,669)
18	HCL with NACPL Reset	See Footnote 1	0	90,041	74,032	58,737
19	Combined Impact to HCL Support	See Footnote 2	<b>0</b>	<b>(187,149)</b>	<b>(341,261)</b>	<b>(478,549)</b>
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>1,089,970</b>	<b>907,343</b>	<b>836,386</b>	<b>716,363</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>-17.1%</b>	<b>-29.0%</b>	<b>-40.0%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>1,137.02</b>	<b>1,106.33</b>	<b>1,003.31</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	0	0	0	0
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	0	0	0
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>-</b>	<b>-</b>	<b>-</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>1,856,481</b>	<b>1,861,003</b>	<b>1,944,158</b>	<b>1,961,423</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(317,309)</b>	<b>(605,525)</b>	<b>(872,973)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>1,856,481</b>	<b>1,543,694</b>	<b>1,338,633</b>	<b>1,088,450</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>1,856,481</b>	<b>1,543,694</b>	<b>1,338,633</b>	<b>1,088,450</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-17.1%</b>	<b>-31.1%</b>	<b>-44.5%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(397.63)</b>	<b>(800.96)</b>	<b>(1,222.65)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>840</b>	<b>798</b>	<b>756</b>	<b>714</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company R National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	365,483	365,483	365,483	365,483
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(40,195)	(81,607)	(121,802)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>365,483</b>	<b>325,288</b>	<b>283,876</b>	<b>243,681</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-11.0%</b>	<b>-22.3%</b>	<b>-33.3%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>983.93</b>	<b>906.37</b>	<b>823.80</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	91,578	91,578	91,578	91,578
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(30,221)	(61,357)	(91,578)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>91,578</b>	<b>61,357</b>	<b>30,221</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>-33.0%</b>	<b>-67.0%</b>	<b>-100.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>185.59</b>	<b>96.49</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	661,285	824,317	824,949	832,019
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(110,607)	(110,655)	(111,561)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(85,202)	(174,776)	(260,860)
18	HCL with NACPL Reset	See Footnote 1	0	36,874	30,318	24,054
19	Combined Impact to HCL Support	See Footnote 2	<b>0</b>	<b>(152,300)</b>	<b>(235,694)</b>	<b>(316,667)</b>
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>661,285</b>	<b>672,017</b>	<b>589,255</b>	<b>515,352</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>-18.5%</b>	<b>-28.6%</b>	<b>-38.1%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>2,032.72</b>	<b>1,881.40</b>	<b>1,742.23</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	0	0	0	0
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	0	0	0
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>-</b>	<b>-</b>	<b>-</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>1,118,346</b>	<b>1,281,378</b>	<b>1,282,010</b>	<b>1,289,080</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(222,716)</b>	<b>(378,658)</b>	<b>(530,047)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>1,118,346</b>	<b>1,058,662</b>	<b>903,352</b>	<b>759,033</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>(66,862)</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>1,118,346</b>	<b>991,800</b>	<b>903,352</b>	<b>759,033</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-22.6%</b>	<b>-29.5%</b>	<b>-41.1%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(673.67)</b>	<b>(1,209.00)</b>	<b>(1,791.91)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>348</b>	<b>331</b>	<b>313</b>	<b>296</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company S National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	348,652	348,652	348,652	348,652
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(25,235)	(51,235)	(76,470)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>348,652</b>	<b>323,417</b>	<b>297,417</b>	<b>272,182</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-7.2%</b>	<b>-14.7%</b>	<b>-21.9%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>648.45</b>	<b>629.45</b>	<b>609.93</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	61,313	61,313	61,313	61,313
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(20,233)	(41,080)	(61,313)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>61,313</b>	<b>41,080</b>	<b>20,233</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>-33.0%</b>	<b>-67.0%</b>	<b>-100.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>82.37</b>	<b>42.82</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	746,083	845,211	833,531	844,239
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(113,753)	(112,140)	(113,512)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(62,834)	(130,130)	(194,224)
18	HCL with NACPL Reset	See Footnote 1	0	55,847	45,918	36,431
19	Combined Impact to HCL Support	See Footnote 2	<b>0</b>	<b>(119,518)</b>	<b>(184,885)</b>	<b>(250,077)</b>
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>746,083</b>	<b>725,693</b>	<b>648,646</b>	<b>594,162</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>-14.1%</b>	<b>-22.2%</b>	<b>-29.6%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>1,455.02</b>	<b>1,372.80</b>	<b>1,331.46</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	0	0	0	0
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	0	0	0
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>-</b>	<b>-</b>	<b>-</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>1,156,048</b>	<b>1,255,176</b>	<b>1,243,496</b>	<b>1,254,204</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(164,986)</b>	<b>(277,200)</b>	<b>(387,860)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>1,156,048</b>	<b>1,090,190</b>	<b>966,296</b>	<b>866,344</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>1,156,048</b>	<b>1,090,190</b>	<b>966,296</b>	<b>866,344</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-13.1%</b>	<b>-22.3%</b>	<b>-30.9%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(330.80)</b>	<b>(586.67)</b>	<b>(869.15)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>525</b>	<b>499</b>	<b>473</b>	<b>446</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Company T National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
		Source				
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	933,067	933,067	933,067	933,067
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(56,322)	(114,351)	(170,673)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>933,067</b>	<b>876,745</b>	<b>818,716</b>	<b>762,394</b>
4	<b>Company Percent Reduction in ICLS</b>	(Ln 2 / Ln 1)		<b>-6.0%</b>	<b>-12.3%</b>	<b>-18.3%</b>
5	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-7.3%</b>	<b>-14.9%</b>	<b>-22.2%</b>
6	<b>Company Average ICLS per Line</b>	Line 3/42		<b>194.17</b>	<b>191.39</b>	<b>188.71</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	950,763	950,763	950,763	950,763
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(313,752)	(637,011)	(950,763)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>950,763</b>	<b>637,011</b>	<b>313,752</b>	<b>0</b>
11	<b>Company Percent Reduction in LSS</b>	(Ln 9 / Ln 8)		<b>-33.0%</b>	<b>-67.0%</b>	<b>-100.0%</b>
12	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-36.3%</b>	<b>-70.0%</b>	<b>-100.0%</b>
13	<b>Company Average LSS per Line</b>	Line 10/42		<b>141.08</b>	<b>73.35</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	369,563	475,434	484,934	582,519
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(72,987)	(73,791)	(86,295)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(128,052)	(274,901)	(424,003)
18	HCL with NACPL Reset	See Footnote 1	0	506,589	418,458	332,004
19	Combined Impact to HCL Support	See Footnote 2	<b>0</b>	<b>241,656</b>	<b>21,439</b>	<b>(199,233)</b>
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>369,563</b>	<b>717,090</b>	<b>506,373</b>	<b>383,286</b>
22	<b>Company Percent Reduction in HCL USF</b>	Line 19/15		<b>50.8%</b>	<b>4.4%</b>	<b>-34.2%</b>
23	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-8.8%</b>	<b>-17.5%</b>	<b>-27.2%</b>
24	<b>Company Average HCL per Line</b>	Line 21/42		<b>158.81</b>	<b>118.38</b>	<b>94.87</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	0	0	0	0
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	0	0	0
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26- Ln 27)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
29	<b>Company Percent Reduction in SNA</b>	(Ln 27 / Ln 26)	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
30	<b>Median Percentage Reduction - All Alexicon Clients</b>	All Clients - Median		<b>-25.0%</b>	<b>-50.0%</b>	<b>-75.0%</b>
31	<b>Company Average SNA per Line</b>	Line 28/42		<b>-</b>	<b>-</b>	<b>-</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>2,253,393</b>	<b>2,359,264</b>	<b>2,368,764</b>	<b>2,466,349</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(128,418)</b>	<b>(729,923)</b>	<b>(1,320,669)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>2,253,393</b>	<b>2,230,846</b>	<b>1,638,841</b>	<b>1,145,680</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>2,253,393</b>	<b>2,230,846</b>	<b>1,638,841</b>	<b>1,145,680</b>
38	<b>Company Percent Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-5.4%</b>	<b>-30.8%</b>	<b>-53.5%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(28.44)</b>	<b>(170.63)</b>	<b>(326.89)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>4,753</b>	<b>4,515</b>	<b>4,278</b>	<b>4,040</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

All Alexicon Clients - Data Averaged Together National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
	Source					
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	2,335,388	2,335,388	2,335,388	2,335,388
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(118,412)	(240,413)	(358,825)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>2,335,388</b>	<b>2,216,976</b>	<b>2,094,975</b>	<b>1,976,563</b>
4	<b>Average Percentage Reduction-All Clients</b>	(Ln 2 / Ln 1)		-5.1%	-10.3%	-15.4%
5	<b>Median Percentage Reduction- All Clients</b>	All Clients - Median		-7.3%	-14.9%	-22.2%
6	<b>Average ICLS per Line</b>	Line 3/42		<b>408.07</b>	<b>407.04</b>	<b>406.62</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	218,882	218,882	218,882	218,882
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(78,491)	(152,506)	(218,882)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>218,882</b>	<b>140,391</b>	<b>66,376</b>	<b>0</b>
11	<b>Average Percentage Reduction-All Clients</b>	(Ln 9 / Ln 8)		-35.9%	-69.7%	-100.0%
12	<b>Median Percentage Reduction- All Clients</b>	All Clients - Median		-36.3%	-70.0%	-100.0%
13	<b>Average LSS per Line</b>	Line 10/42		<b>25.84</b>	<b>12.90</b>	<b>-</b>
14						
15	HCL Calculated Under Current Rules	HCL Calculated	3,223,117	3,472,143	3,886,334	4,017,002
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(454,063)	(508,521)	(522,119)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(194,211)	(393,381)	(594,923)
18	HCL with NACPL Reset	See Footnote 1	0	591,620	486,784	386,863
19	Combined Impact to HCL Support	See Footnote 2	0	(136,140)	(463,176)	(733,443)
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>3,223,117</b>	<b>3,336,002</b>	<b>3,423,158</b>	<b>3,283,559</b>
22	<b>Average Percentage Reduction-All Clients</b>	Line 19/15		-3.9%	-11.9%	-18.3%
23	<b>Median Percentage Reduction- All Clients</b>	All Clients - Median		-8.8%	-17.5%	-27.2%
24	<b>Average HCL per Line</b>	Line 21/42		<b>614.05</b>	<b>665.09</b>	<b>675.50</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	138,407	138,407	138,407	138,407
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(34,602)	(69,204)	(103,805)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>138,407</b>	<b>103,805</b>	<b>69,204</b>	<b>34,602</b>
29	<b>Average Percentage Reduction-All Clients</b>	(Ln 27 / Ln 26)		-25.0%	-50.0%	-75.0%
30	<b>Median Percentage Reduction- All Clients</b>	All Clients - Median		-25.0%	-50.0%	-75.0%
31	<b>Average SNA per Line</b>	Line 28/42		<b>19.11</b>	<b>13.45</b>	<b>7.12</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>5,915,794</b>	<b>6,164,820</b>	<b>6,579,011</b>	<b>6,709,680</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(367,645)</b>	<b>(925,298)</b>	<b>(1,414,956)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>5,915,794</b>	<b>5,797,174</b>	<b>5,653,713</b>	<b>5,294,724</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>(3,343)</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>5,915,794</b>	<b>5,793,831</b>	<b>5,653,713</b>	<b>5,294,724</b>
38	<b>Average Percentage Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	-6.0%	-14.1%	-21.1%
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		-10.9%	-22.5%	-31.3%
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(68.29)</b>	<b>(179.78)</b>	<b>(291.09)</b>
41						
42	<b>Average Access Lines</b>	Reduced 5% per yr	<b>5,719</b>	<b>5,433</b>	<b>5,147</b>	<b>4,861</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

Alexicon - All Clients Data Combined National Broadband Plan NPRM February 2011 Estimated Reduction to ALL USF Mechanisms per FCC Proposals			2011	2012	2013	2014
	Source					
1	ICLS Base (CL Rev Req less SLCs)	2010 Forecast-Kept Flat	46,707,761	46,707,761	46,707,761	46,707,761
2	Reduction to ICLS Funding Due to Corp Exp Phase-out by 2014	33%/67%/100% Corp Exp	0	(2,368,246)	(4,808,258)	(7,176,504)
3	<b>Revised ICLS with Proposed Changes (Less SLC Revenues)</b>	(Line 1 - Line 2)	<b>46,707,761</b>	<b>44,339,515</b>	<b>41,899,503</b>	<b>39,531,257</b>
4	<b>Average Percentage Reduction-All Clients</b>	(Ln 2 / Ln 1)		-5.1%	-10.3%	-15.4%
5	<b>Median Percentage Reduction- All Clients</b>	All Clients - Median		-7.3%	-14.9%	-22.2%
6	<b>Average ICLS per Line</b>	Line 3/42		<b>408.07</b>	<b>407.04</b>	<b>406.62</b>
7						
8	Local Switching Support Base	2010 Forecast - Kept Flat	4,377,640	4,377,640	4,377,640	4,377,640
9	Proposed Reduction to Local Switching Support	Eliminate 33%/67%/100%	0	(1,569,821)	(3,050,115)	(4,377,640)
10	<b>LSS Phased Down to Zero by 2014</b>	(Line 8 - Line 9)	<b>4,377,640</b>	<b>2,807,819</b>	<b>1,327,525</b>	<b>0</b>
11	<b>Average Percentage Reduction-All Clients</b>	(Ln 9 / Ln 8)		-35.9%	-69.7%	-100.0%
12	<b>Median Percentage Reduction- All Clients</b>	All Clients - Median		-36.3%	-70.0%	-100.0%
13	<b>Average LSS per Line</b>	Line 10/42		<b>25.84</b>	<b>12.90</b>	-
14						
15	HCL Calculated Under Current Rules	HCL Calculated	64,462,335	69,442,855	77,726,675	80,340,049
16	HCL with Proposed 55%/65% Factors Reduced From 65%/75%	HCL Calculated	0	(9,081,261)	(10,170,421)	(10,442,382)
17	HCL with Corp Exp Phased Down to Zero by 2014 (33%/67%/100%)	HCL Calculated	0	(3,884,219)	(9,114,422)	(11,898,462)
18	HCL with NACPL Reset	See Footnote 1	0	11,832,405	9,735,678	7,737,257
19	Combined Impact to HCL Support	See Footnote 2	0	(2,722,806)	(9,263,518)	(14,668,866)
20						
21	<b>HCL with All Proposed Revisions</b>	Line 15 + Line 19	<b>64,462,335</b>	<b>66,720,049</b>	<b>68,463,157</b>	<b>65,671,183</b>
22	<b>Average Percentage Reduction-All Clients</b>	Line 19/15		-3.9%	-11.9%	-18.3%
23	<b>Median Percentage Reduction- All Clients</b>	All Clients - Median		-8.8%	-17.5%	-27.2%
24	<b>Average HCL per Line</b>	Line 21/42		<b>614.05</b>	<b>665.09</b>	<b>675.50</b>
25						
26	SNA Calculated per Current Rules	USAC SNA Source Data	2,768,142	2,768,142	2,768,142	2,768,142
27	Reduction to SNA - Phased Down to Zero by 2015	25% per yr Elimination	0	(692,036)	(1,384,071)	(2,076,107)
28	<b>Estimated Revised Safety Net Additive Support-Zero in 2015</b>	(Ln 26-Ln 27)	<b>2,768,142</b>	<b>2,076,107</b>	<b>1,384,071</b>	<b>692,036</b>
29	<b>Average Percentage Reduction-All Clients</b>	(Ln 27 / Ln 26)		-25.0%	-50.0%	-75.0%
30	<b>Median Percentage Reduction- All Clients</b>	All Clients - Median		-25.0%	-50.0%	-75.0%
31	<b>Average SNA per Line</b>	Line 28/42		<b>19.11</b>	<b>13.45</b>	<b>7.12</b>
32						
33	<b>Total USF Support Under Current Rules</b>	Sum Ln 1+8+15+26	<b>118,315,878</b>	<b>123,296,398</b>	<b>131,580,218</b>	<b>134,193,592</b>
34	<b>Total Estimated Reduction to USF Support Levels</b>	Sum Ln 2+9+19+27	<b>0</b>	<b>(7,352,908)</b>	<b>(18,505,961)</b>	<b>(28,299,116)</b>
35	<b>Preliminary Adjusted USF</b>	Sum Lns 3+10+21+28	<b>118,315,878</b>	<b>115,943,489</b>	<b>113,074,256</b>	<b>105,894,476</b>
36	<b>Loss Due to Proposed \$3,000 USF Capped Support per Line</b>		<b>0</b>	<b>(66,862)</b>	<b>0</b>	<b>0</b>
37	<b>Reduced USF Support per FCC Proposals</b>	(Ln 35 - 36)	<b>118,315,878</b>	<b>115,876,627</b>	<b>113,074,256</b>	<b>105,894,476</b>
38	<b>Average Percentage Reduction in Total USF</b>	Line (34+36)/33	<b>0.0%</b>	<b>-6.0%</b>	<b>-14.1%</b>	<b>-21.1%</b>
39	<b>Median Percent Reduction in Total USF - All Alexicon Clients</b>	All Clients - Median		<b>-10.9%</b>	<b>-22.5%</b>	<b>-31.3%</b>
40	<b>Average per Line Reduction in Total USF</b>	Line (34+36)/42		<b>(68.29)</b>	<b>(179.78)</b>	<b>(291.09)</b>
41						
42	<b>Access Lines</b>	Reduced 5% per yr	<b>114,375</b>	<b>108,656</b>	<b>102,938</b>	<b>97,219</b>

1) Revised NACPL was provided by NECA, using their most recent NACPL calculation and removing the corporate expenses (33% in 2012, 67% in 2013 and 100% in 2014) from the HCL calculation. The NACPL has increased 9.75% on average over the past two years due to the capped HCL fund. However, to be conservative, we only assumed that a 5% reduction per year. This results in NACPL reductions, from the current \$458, to \$332.28 in 2012, \$348.89 in 2013 and \$366.34 in 2014.

2) This line item represents the combined impact of all three HCL scenarios (55%/65% revision, corporate expense reduced 33% per year, and increase to the NACPL). This line item will not sum to the above three individual calculations. This is because when all three items are calculated collectively, the overall combined impact will produce a different HCL support total than when each item is computed individually.

2011	2012	2013	2014	2015	2016
12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16

### Current Rules - Forecasted Financial Data for USF/ICC (see footnote 1)

1	Federal HCL Support and SNA	\$ 13,825,243	\$ 13,842,396	\$ 15,675,618	\$ 16,451,056	\$ 16,776,345	\$ 16,485,064
2	End User Common Line	\$ 1,426,840	\$ 1,385,202	\$ 1,346,890	\$ 1,315,146	\$ 1,298,799	\$ 1,282,890
3	Interstate Access	\$ 5,222,445	\$ 6,823,054	\$ 7,491,387	\$ 7,919,538	\$ 7,829,727	\$ 7,836,649
4	ICLS & LSS Support	\$ 10,534,897	\$ 10,534,897	\$ 10,534,897	\$ 10,534,897	\$ 10,534,897	\$ 10,534,897
5	Intrastate Access	\$ 1,794,104	\$ 1,782,839	\$ 1,759,801	\$ 1,734,118	\$ 1,721,803	\$ 1,709,939
6	<b>Total USF and ICC Revenues</b>	<b>\$ 32,803,529</b>	<b>\$ 34,368,388</b>	<b>\$ 36,808,593</b>	<b>\$ 37,954,756</b>	<b>\$ 38,161,572</b>	<b>\$ 37,849,439</b>
7							
8	<b>Increase (Decrease) Current Period Cash</b>	<b>\$ (508,905)</b>	<b>\$ (1,745,202)</b>	<b>\$ 453,353</b>	<b>\$ 2,740,052</b>	<b>\$ 4,220,499</b>	<b>\$ 3,518,152</b>
9	<b>(footnote 6)</b>						
10	<b>TIER (footnote 7)</b>	<b>3.14</b>	<b>1.69</b>	<b>1.85</b>	<b>2.18</b>	<b>2.60</b>	<b>2.40</b>

### FCC NPRM Forecasted Financial Impact to USF/ICC

11	Federal HCL Support & SNA (footnote 2)	\$ 13,825,243	\$ 12,558,915	\$ 12,886,217	\$ 12,415,236	\$ 12,689,956	\$ 12,481,066
12	End User Common Line (footnote 3)	\$ 1,426,840	\$ 1,690,163	\$ 1,643,819	\$ 1,605,502	\$ 1,585,475	\$ 1,565,985
13	Interstate Access (footnote 4)	\$ 5,222,445	\$ 5,114,441	\$ 3,743,795	\$ 1,978,935	\$ -	\$ -
14	ICLS & LSS Support (footnote 5)	\$ 10,534,897	\$ 9,103,410	\$ 7,719,997	\$ 6,442,212	\$ 6,442,212	\$ 6,442,212
15	Intrastate Access (footnote 4)	\$ 1,794,104	\$ 1,356,650	\$ 915,442	\$ 546,222	\$ 58,122	\$ 56,826
16	<b>Total USF and ICC Revenues</b>	<b>\$ 32,803,529</b>	<b>\$ 29,823,578</b>	<b>\$ 26,909,269</b>	<b>\$ 22,988,107</b>	<b>\$ 20,775,765</b>	<b>\$ 20,546,089</b>
17							
18	<b>Increase (Decrease) Current Period Cash</b>	<b>\$ (508,905)</b>	<b>\$ (5,318,921)</b>	<b>\$ (7,955,177)</b>	<b>\$ (10,318,194)</b>	<b>\$ (11,406,015)</b>	<b>\$ (12,051,241)</b>
19	<b>(footnote 6)</b>						
20	<b>TIER (footnote 7)</b>	<b>\$ 3.14</b>	<b>\$ 0.28</b>	<b>\$ (1.11)</b>	<b>\$ (2.68)</b>	<b>\$ (3.58)</b>	<b>\$ (4.41)</b>

### Increase (Reduction) to Forecasted Financial Data per FCC NPRM Revisions

21	Federal HCL Support and SNA	\$ (1,283,481)	\$ (2,789,401)	\$ (4,035,820)	\$ (4,086,388)	\$ (4,003,999)
22	End User Common Line	\$ 304,961	\$ 296,929	\$ 290,356	\$ 286,676	\$ 283,095
23	Interstate Access	\$ (1,708,613)	\$ (3,747,593)	\$ (5,940,603)	\$ (7,829,727)	\$ (7,836,649)
24	ICLS & LSS Support	\$ (1,431,487)	\$ (2,814,900)	\$ (4,092,685)	\$ (4,092,685)	\$ (4,092,685)
25	Intrastate Access	\$ (426,189)	\$ (844,360)	\$ (1,187,896)	\$ (1,663,681)	\$ (1,653,113)
26	<b>Total USF and ICC Revenues</b>	<b>\$ (4,544,810)</b>	<b>\$ (9,899,324)</b>	<b>\$ (14,966,648)</b>	<b>\$ (17,385,806)</b>	<b>\$ (17,303,350)</b>
27	<b>% Reduction in USF &amp; ICC Revenues</b>	<b>-13%</b>	<b>-27%</b>	<b>-39%</b>	<b>-46%</b>	<b>-46%</b>
28						
29	<b>Increase (Decrease) Current Period Cash</b>	<b>(footnote 6)</b>	<b>\$ (3,573,719)</b>	<b>\$ (8,408,530)</b>	<b>\$ (13,058,246)</b>	<b>\$ (15,626,514)</b>
30						
31	<b>Average Increase to Monthly Local Rate</b>		<b>\$ 23.92</b>	<b>\$ 55.00</b>	<b>\$ 88.04</b>	<b>\$ 107.65</b>
32	<b>TIER (footnote 7)</b>		<b>\$ (1.41)</b>	<b>\$ (2.97)</b>	<b>\$ (4.85)</b>	<b>\$ (6.17)</b>
33						

34	Access Lines	16,667	15,834	15,000	14,167	13,459	12,786
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Footnote 1: All revenues are shown on a consolidated basis and are calculated based on the current rules in place for Rate or Return ILECs under 47 CFR.

USF means Universal Service Fund, ICC means Inter-carrier Compensation

Footnote 2: HCL USF revenues computed under current FCC NPRM proposal which includes reducing loop recovery percentages from the current 65%/75% thresholds to 55%/65%, elimination of corporate operations expense and potential reduction in the NACPL to NECA's estimated \$332.38 calculation. Note that Alexicon has not reviewed nor do we attest to the accuracy of the NECA NACPL reduction.

SNA is included in this figure and it is reduced to zero over a 4 year period.

Footnote 3: Interstate End User Common Line Revenues and increased for proposed SLC charge increases to \$1.50 residential and \$2.30 multi-line business

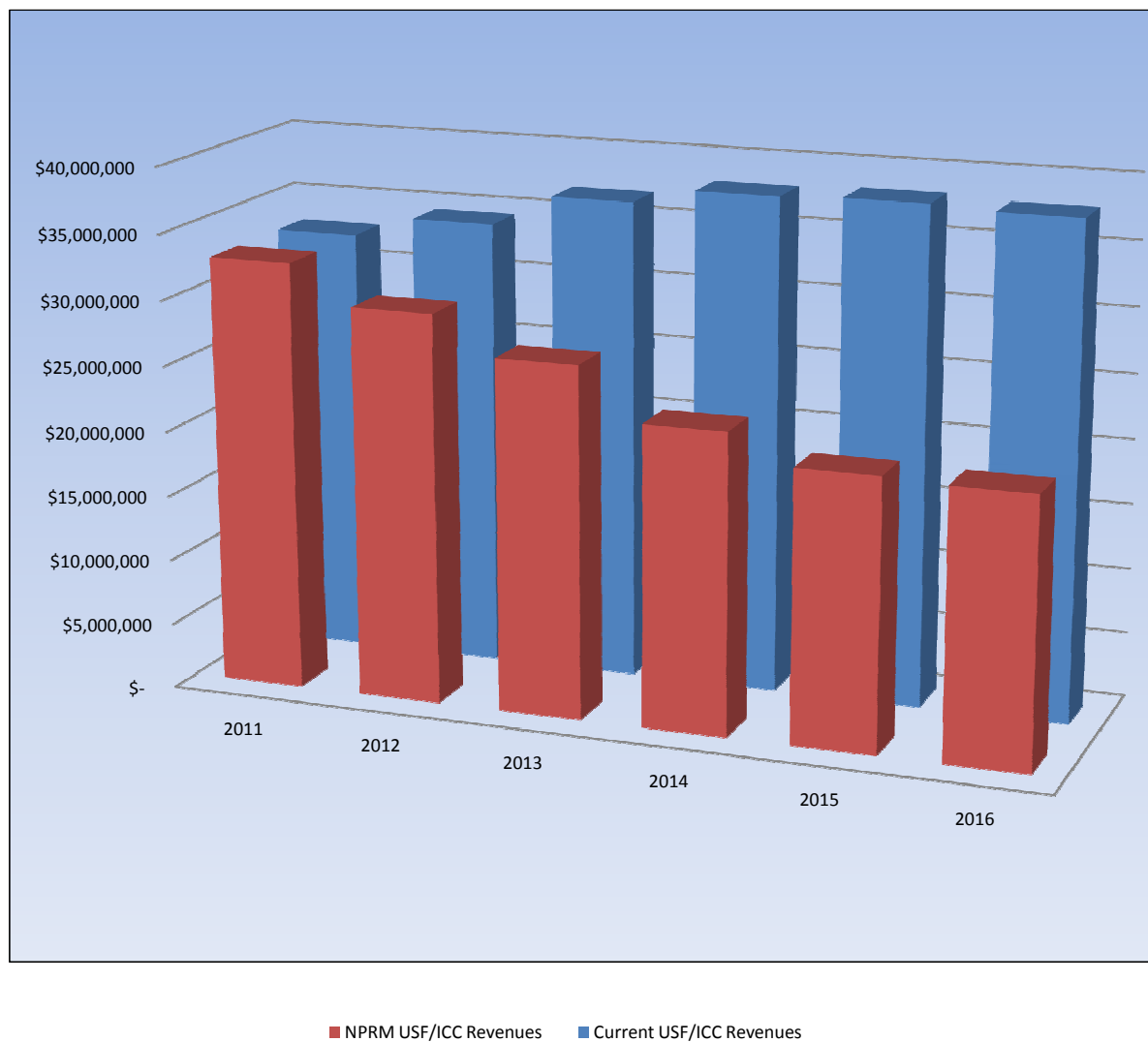
Footnote 4: Interstate and Intrastate Traffic Sensitive Access revenues reduced over three years to zero. Under current ICC proposal where "f" = 1.0 or higher of a carrier's non-regulated revenues, no clients qualify for additional CAF.

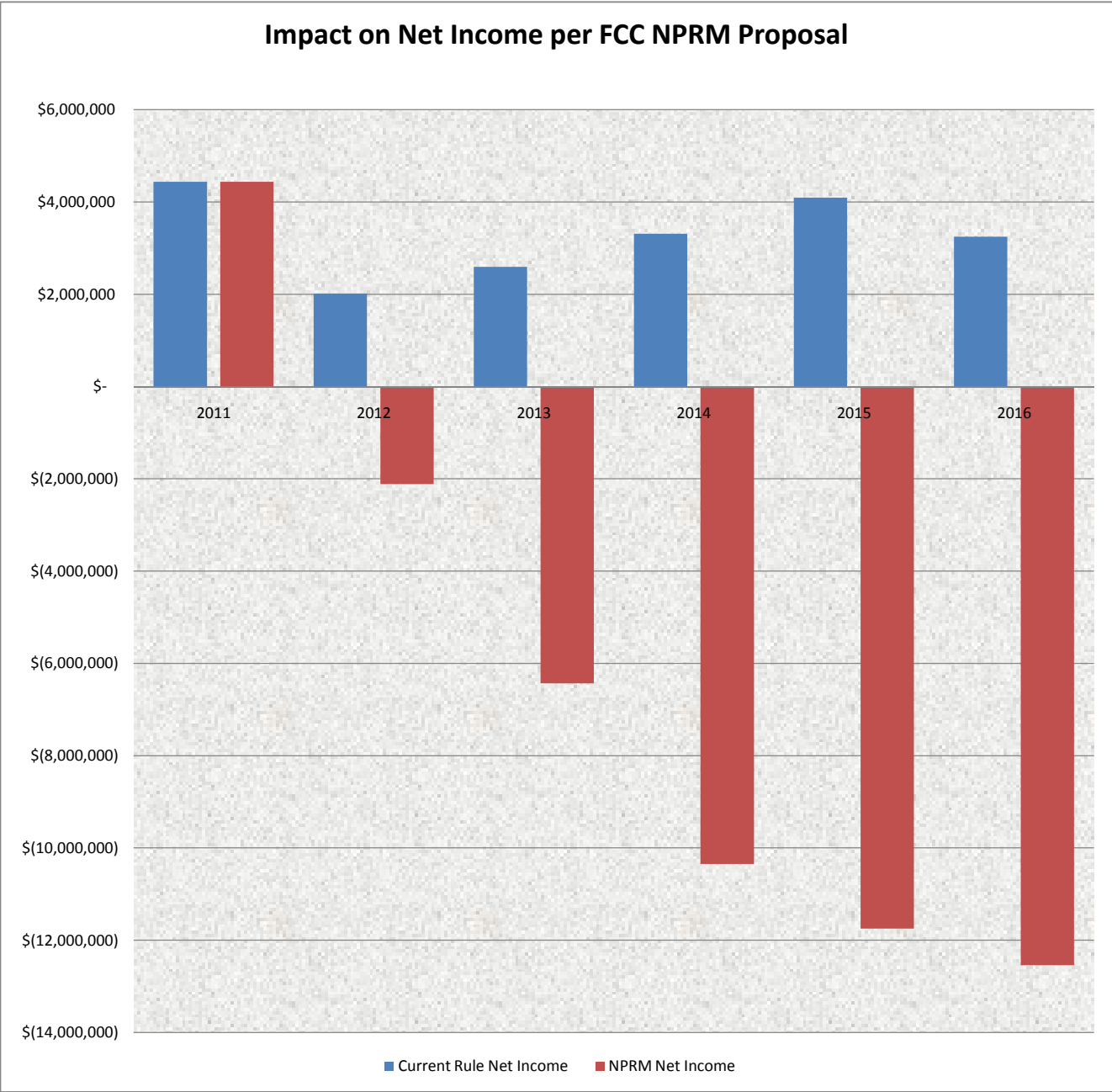
Footnote 5: ICLS revenues reduced by the removal of corporate operations expenses, LSS revenue reduced to zero over a three year period.

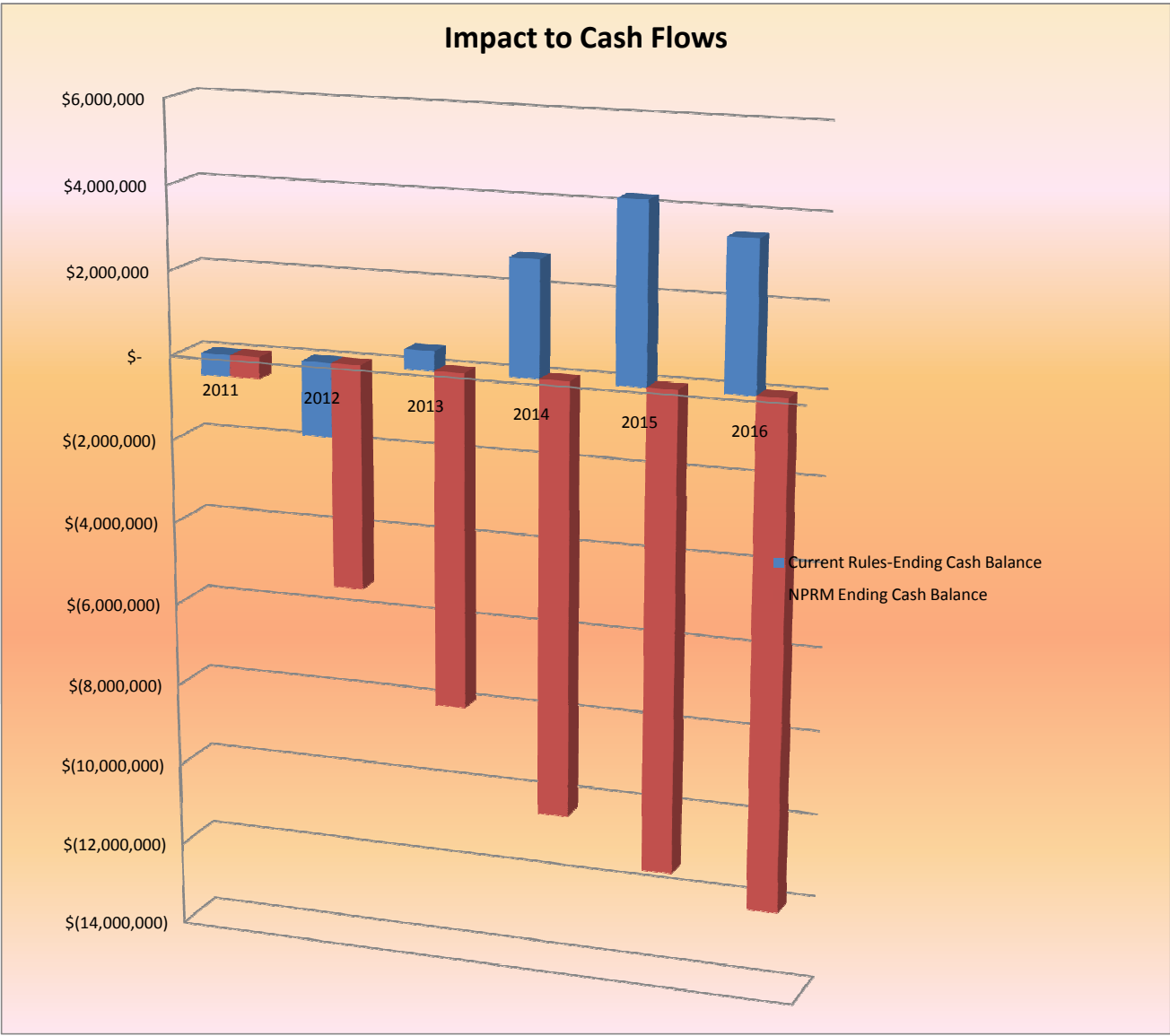
Footnote 6: Current Period Cash Flows are computed on the detail financial forecast

Footnote 7: TIER determines the ability of a company to pay back its loan. It is calculated taking (interest expense plus net income) divided by interest expense. A TIER of less than 1.0 will indicate a company is in default on its loan.

### Comparison of USF/ICC Revenue Impact







# EXHIBIT F

## Alexicon Compilation of Comments on Universal Service Fund Models Contained in the NPRM

**Modifying the current USF algorithms is necessary to meet the principals of Section 254 of as well as the goals The National Broadband Plan (NBP).**

In order to comply with the principles set forth in Section 254, Universal Service Funds are required to provide: (1) quality services at just, reasonable, and affordable rates; (2) access to advanced services; and (3) access in rural and high cost areas that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas. Furthermore the mechanisms should be specific, predictable and sufficient to preserve and advance universal service.

The Commission's current focus on advanced services, specifically broadband deployment, does not relinquish it of the responsibility to preserve and support current universal services. New support mechanisms must recognize and sufficiently provide for the both traditional universal services as well as advanced services. In order to address the Commission's long term vision of ubiquitous broadband deployment, Alexicon believes that the support algorithms must recognize and support the causes of the higher costs of deployment and provision of broadband service in rural areas. The higher costs of broadband deployment in rural areas is a function of population density, geographic location, the costs related to economies of limited scale and scope which results in higher costs for broadband-capable loops; central office, field unit and customer premise electronics; and bandwidth access (often referred to as "middle mile cost").

Therefore, we propose the following:

1. Modifying the current high cost loop support fund to create a Broadband High Cost Loop Fund
2. Modifying the current Interstate Common Line Support Fund to encompass changes to Intercarrier Compensation (ICC)
3. Ratcheting down Local Switching Support for the truly needy
4. Including USF funding for Middle Mile connectivity

### **The Proposed Broadband High Cost Loop Fund**

The current high cost loop USF algorithm has been an effective tool in providing universal service support to high cost loop areas. As the Commission itself notes, the current system has enabled many rural telecommunications providers to deploy broadband-capable networks. This is because the current algorithm supports one of the primary barriers to ubiquitous broadband deployment – loop costs. Alexicon proposes that the current high cost loop algorithm should be modified to support the central office and field unit circuit equipment as well as cable and wire facility allocated to broadband services.

## EXHIBIT F

The details of the proposed Broadband High Cost Loop Data Descriptions, Cost Company Broadband Loop Algorithm, National Average Broadband Cost Per Loop (NABCL) Algorithm, Expense Adjustment Algorithm, and the Broadband High Cost Loop Recovery Adjustment are attached as Exhibits A, B, and C.

In summary, Alexicon proposes including the following accounts in the algorithm:

- Category 4.11 Wideband Exchange Line Circuit Equipment allocated to the Interstate jurisdiction as defined in 47 CFR 36.126 (b) (1) (i).
- Category 4.22 Interexchange Circuit Equipment Used for Wideband Services including Satellite and Earth Station Equipment used for Wideband Service allocated to the Interstate jurisdiction as defined in 47 CFR 36.126 (b) (2) (ii).
- Category 2 Wideband and Exchange Trunk Cable and Wire Facilities allocated to the Interstate jurisdiction as defined in Part 36.152(a)(2) and Part 36.155.

We would note that no revisions to Part 36 Separations Rules are needed to accommodate the inclusion of these broadband accounts in the Broadband High Cost Loop Fund algorithm. In support, the description and accounting of broadband circuit and cable & wire facility already required of cost settlement companies is described in the National Exchange Carrier Association's Cost Reporting Guideline Paper entitled *Separations Treatment of ADSL and SDSL Services* (revision released December 17, 2009).

The proposed algorithm computes the gross allocators that attribute expenses to the broadband category equipment in the same manner as Category 4.13 circuit equipment and Category 1 cable & wire facility. Total Broadband Unseparated Costs equals the sum of operating expenses, depreciation, operating taxes, and return on investment attributed to Categories 1 and 2 cable & wire facility and Categories 4.11, 4.13, and 4.22 circuit equipment. Study Area Broadband Cost per Loop (SABCL) is calculated as the Broadband Unseparated Costs divided by Study Area Total Loops.

The National Average Broadband Cost per Loop (NABCL) is calculated as total Nationwide Broadband Unseparated Costs divided by Nationwide USF Loops. The Expense Adjustment Algorithm maintains the current 65% / 75% recovery thresholds for study areas reporting fewer than 200,000 access lines.

**Corporate expenses are reasonable and necessary to the deployment and operation of broadband networks.**

The Proposed Broadband High Cost Loop Fund also includes corporate operations expenses and maintains the current cap on allowable expense limits. Corporate expenses are reasonable and necessary to the deployment and operation of broadband networks and should not be eliminated from the support algorithms. Are broadband networks going to be un-supervised, unaccounted for, un-entered into information systems, compliance documents filed without legal

## EXHIBIT F

representation or need for administrative assistance? Of course not. These expenses are reasonable and necessary as shown to be so by the Commission's own proposals for suggested further accounting and compliance standards. There is already a mechanism in place to limit the amount of allowable corporate expenses in the high cost loop algorithm. The current corporate expense cap is calculated as an amount per loop which is adjusted annually by the Gross Domestic Product-Chained Price Index. The recovery amount per access line decreases through three tiers of access lines served. This type of graduated approach to cost recovery recognizes that there is a minimum amount of necessary corporate expenses for all companies while also recognizing cost savings due to economies of scale.

### **The Broadband High Cost Loop Recovery Adjustment**

Alexicon recognizes that the proposed broadband equipment categories are currently recovered through interstate special access charges. Consequently, an adjustment to the calculation of special access charges is needed to avoid excessive cost recovery. The proposed Broadband High Cost Loop Fund algorithm allows the identification of the exact amount of support attributed to the broadband equipment categories. This amount can be reduced from interstate special access element revenue requirement and added to the other element revenue requirement in a manner similar to the way line port costs are shifted in the MAG adjustment. The proposed adjustment would result in decreased rates for broadband services charged to consumers by reducing the subject revenue requirement.

### **Benefits of the Proposed Broadband High Cost Loop Fund**

Alexicon's proposed Broadband High Cost Loop Fund has several advantages. First, it leverages an existing, proven algorithm. Second, it provides incentive for broadband deployment by supporting the causes of higher costs for broadband deployment. Third, it also serves to directly reduce the cost of service to consumers through the broadband recovery adjustment. Fourth, it provides a specific and predictable funding mechanism.

In fact, Alexicon has already developed a fully operational model capable of calculating the Study Area Broadband Cost per Loop (SABCL) of every cost company in the nation. The model calculates Broadband High Cost Loop Support per Study Area based on the proposed data descriptions and algorithms. The model has the capability to calculate a revised National Average Broadband Cost per Loop (NABCL) in order to account for support with a capped fund. For illustrative purposes, we have loaded the model with a sample of companies' actual cost and loop data from the NECA 2010 USF Data Submission. In addition we have added estimated amounts for the proposed broadband equipment categories using costs and relative amounts from NECA's Rate of Return Prospective Cost Analysis Summary. Using this method we have been able to estimate the support each company would receive using 2010 cost data and fund size. This is the type of specific and predictable funding mechanism called for in Section 254.

## EXHIBIT F

Due to the size of the Broadband High Cost Loop Fund model and its proprietary nature, we have not included it with our comments; however we welcome the opportunity to share it in detail with the Commission.

### **The Interstate Common Line Support Fund**

Interstate Common Line Support (ICLS) helps to offset interstate access charges and is designed to permit each rate-of-return carrier to recover its common line revenue requirement, while ensuring that its subscriber line charges remain affordable to its customers. ICLS recognizes that a portion of the common line is used for interstate purposes. Because the Commission is including broadband as an advanced universal service and declaring its authority over broadband as an interstate service, the interstate usage of the common line will only increase in the future. Interstate Common Line Support is the obvious mechanism for recovery of other access rate amounts shifted due to Intercarrier Compensation Reform. Alexicon recommends modifying the current MAG shift adjustment to move traffic sensitive switched access revenue requirement to the common line element in order to meet the Commission's access rate goal. All other aspects of the ICLS should remain the same. This will provide an explicit, predictable and sufficient support mechanism that preserves current universal service policies.

### **Middle Mile Connectivity**

The 2009 report of then Acting Chairman Copps "Bringing Broadband to Rural America: Report on a Rural Broadband Strategy" includes a discussion of the issues involved with the "middle mile" that connects the last mile broadband provider to a node on the Internet backbone. This cost to obtain Internet bandwidth access is one of the largest barriers to reasonable and affordable consumer broadband rates in rural areas. For example, middle mile costs paid by rural telephone clients of Alexicon range from \$18 per megabyte per month to ten times that amount. Alexicon thus proposes middle mile costs should be recovered through a future USF. We suggest the Commission accumulate cost data for bandwidth access, develop an average or threshold cost, and fund costs in excess of the threshold in a manner similar to the Broadband High Cost Loop Fund.